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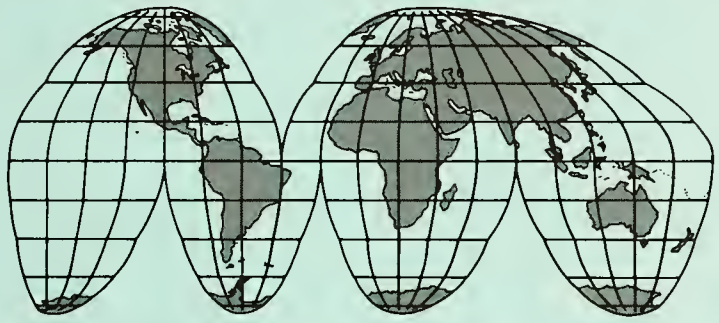
THE FINANCIAL STRUCTURE OF THE FOREIGN AFFILIATES OF U.S. DIRECT INVESTORS



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U.S. DEPARTMENT OF COMMERCE Office of Foreign Direct Investments

THE FINANCIAL STRUCTURE OF THE FOREIGN AFFILIATES OF U.S. DIRECT INVESTORS

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U.S. DEPARTMENT OF COMMERCE
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April 1974

U. S. Depository Copy

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Stock Number 0316–00001

PREFACE

This study, based on foreign affiliates' balance sheet data from 440 large United States direct investors, has two aims. One is to make basic research resources generally available. Those interested in research will find useful both the basic data as presented in the Appendix of Basic Data, and the analyses of estimated relationships found in Chapter 3. Another purpose is to build on OFDI's *Foreign Affiliate Financial Surveys* of 1970 and 1971 (together covering the period 1966–69) by Philip D. Berlin. To this end various effects of the Foreign Direct Investment Program (FDIP) as well as other effects are analyzed. These analyses are intended for two groups, not necessarily mutually exclusive—informed non-economists, and those with more formal economics training.

Various members of the OFDI staff contributed significantly to the study's development. Robert V. Burke did the programming for the estimates presented in Chapter 3, and Larry T. Fitzgerald programmed the production of the tables presented in Chapter 4. In addition, Guy Stevens read, in its entirety, a previous version of the study and made a number of helpful comments.

If deficiencies persist, the author takes responsibility

ANTHONY E. SCAPERLANDA
Washington, D.C.
August 15, 1973

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CHAPTER 1

SUMMARY AND INTRODUCTION

Summary

(1) During the 1966–71 period, important changes took place in the aggregate financial structure of foreign affiliates (AFNs) of U.S. direct investors (DIs) in the Scheduled Areas. These changes include greater reliance on liabilities to finance AFNs and a growth in the proportion of short-term assets in AFNs relative to total assets.

(2) In Canada, AFN assets and liabilities expanded at a slower pace than in the rest of the world. However, the 56% increase in assets and the 73% increase in liabilities, while direct investment was expanding 52%, results in a pattern similar to that observed in the Scheduled Areas.

(3) In general, AFNs have increased their reliance on non-interest-bearing liabilities to finance asset formation.

(4) If these liabilities are eliminated, one continues to observe in the Scheduled Areas a declining reliance on direct investment as a means of financing asset formation. Further, the short-term asset/short-term liability relationship suggests that the build-up of current assets noted above was not unusual.

(5) There was less evidence in the Canadian data of a decline in the reliance on direct investment. Where changes are observed, their permanence is less certain than for the Scheduled Areas. However, changes in Canadian AFNs' working capital position follow a pattern similar to that in the Scheduled Areas, which lends further support to the idea that the growth of current assets in those areas has not been abnormal.

(6) Annual flow data suggest that the pattern of using short-term liabilities to finance current assets and long-term liabilities to finance fixed assets fluctuates from year to year depending on the sum of market influences.

(7) Despite Foreign Direct Investment Program (FDIP) constraints, revenues and earnings have grown more rapidly in the Scheduled Areas than in unconstrained Canada.

(8) The effect of the FDIP on the financial structure of AFNs is not perfectly clear. If comparisons are made with available domestic data or with pre-Program Schedular experience, little FDIP effect is observed. The experience of Canadian AFNs, which were constrained under the latter part of the Voluntary Program and the first three months of the FDIP, suggests that capital controls may alter the financial structure of AFNs. If this is the case, the evidence suggests that the Voluntary Controls had an impact similar to that of the mandatory FDIP.

(9) What is clear from some of the econometric work in the second half of Chapter 3 is that DIs altered the uses to which they put various sources of funds in response to the FDIP. For example, compared to subsequent years, in 1968 (when the Program was most restrictive) a relatively higher proportion of manufacturing AFNs' fixed assets were financed by short-term liabilities.

(10) The shifts in the way AFN asset formation is financed, have had a favorable, immediate $2.5 billion effect on the U.S. balance of payments.

(11) Since some of the shifts which provide the basis for this balance of payments gain are not FDIP related, one would expect the refinancing of AFN debt from U.S. sources to be less than $2.5 billion when the Program ends. Probably the maximum actual amount would be in the $1.5–2.0 billion range.

(12) The evidence indicates that American direct investors were able to protect themselves from exchange rate fluctuations during the 1971 revaluation. The 287 direct investors replying to the relevant questions indicate a net gain on short-term assets and liabilities of $316 million (2.3%). Positioning in anticipation of revaluation seems to have begun about two and a half years before the actual revaluation.

(13) The econometric work in the second half of Chapter 3 also provides some idea of internal adjustments which DIs made to protect themselves from revaluation effects. For example, in manufacturing there was an important increase in the use of short-term liabilities to finance fixed assets and other assets in 1970. Such an increase involved decreasing the use of short-term liabilities to finance long-term receivables. Under certain assumptions these and similar shifts can be explained as positioning in anticipation of revaluation.

(14) A flexible accelerator model modified by the addition of variables leads to the conclusion that the host country's market size, market growth, AFNs' internal cash flow, and the replacement of the stock of direct investment were statistically significant determinants of direct investment. Foreign withholding taxes on dividends do not seem to have discouraged dividend payments in manufacturing industries. Use of Proceeds and Specific Authorizations were found to be significant, not as determinants, but rather in not impeding direct investment.[1]

(15) Viewing similar annual equations over the 1967–1971 period, one is able to view the changing effect of the FDIP. Generally, the pattern seems to indicate that the Office was successful in its effort to liberalize the Program.

Introduction

Multinational enterprises have exerted varying degrees of influence on international economic relations at least since the Mercantilist period. In the contemporary world, the last quarter century has been a period in which international business relations, disrupted first by the depression of the 1930's and subsequently by World War II, have been reconstructed. One prominent aspect of this process has been the resurgence of the multinational firm. At once benefiting from and encouraging improved relations and closer international economic ties, the multinational firms of the U.S., Europe, and Japan have expanded greatly, both in terms of numbers and in terms of industries.[2]

Two other phenomena became apparent simultaneously. First, it was increasingly evident that traditional economic theory was inadequate to explain the motives, the domestic and foreign effects, and other aspects of direct investment by enterprises operating multinationally. Second, the U.S., the country of origin of a substantial portion of new direct investment during the 1950's and 1960's, encountered increasingly difficult balance of payments problems. This development led to the establishment of U.S. voluntary controls on the outflow of direct investment from 1965 through 1967. These were followed by more stringent mandatory controls on January 1, 1968, in the form of the Foreign Direct Investment Program (FDIP or the Program). The Office of Foreign Direct Investment (OFDI) was established to administer the mandatory controls.

Part of that administrative mission has been to analyze the Program's effects. Such analyses assist in understanding and improving the Program and provide insights into the motives and contributions of direct investors. The importance of the Office's research is heightened by the fact that the expansion of multinational enterprises continues to be vigorous and the subject of active debate in various forums.[3]

OFDI research focuses principally on either the direct investor (DI) or on the affiliates of the DI (in the parlance of the Office, affiliated foreign nationals or AFNs.)[4] Most of the emphasis is placed on the DI. This study, closely akin to the Office's *Foreign Affiliate Financial*

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[1] Extra-allowable direct investment may be offset by allocation of the proceeds from foreign borrowing (Use of Proceeds); alternatively, such direct investment may be specifically authorized by the Office on a case by case basis (Specific Authorizations).

[2] The term "multinational enterprise" has enjoyed a variety of meanings. OFDI terminology does not use the phrase, but refers to direct investors (DIs) and their foreign affiliates (AFNs), in turn further specified as incorporated and unincorporated. Together these would fit the definition of multinational corporation used by Rolfe (p. 12). Alternatively, Aharoni (1971, p. 35) would call most of the units in the sample used in this study multinational clusters, with the direct investor designated as the multinational corporation. To avoid confusion here, we usually refer either to the direct investor or to its foreign affiliates. In those few instances when reference is made to both collectively, the term multinational enterprise is used.

[3] Examples of international considerations of the treatment of direct investment are: OECD Council, Report by High Level Group on Trade and Related Problems, *Policy Perspective for International Trade and Economic Relations*, Paris, September 1972, pp. 50–53; and International Monetary Fund, A Report by the Executive Directors to the Board of Governors, *Reform of the International Monetary System*, Washington, D.C., 1972, pp. 45–47.

[4] OFDI defines a direct investor as: ". . . Any person within the United States which directly or indirectly owns or acquires a 10% interest in a corporation or partnership organized under the laws of a foreign country or in a business venture conducted within a foreign country as described . . ." in the section of OFDI regulations defining an affiliated foreign national. An AFN is defined as any foreign enterprise in which a U.S. DI has at least a 10% interest, except those with less than $50,000 gross assets, of less than one year's duration, and specified non-profit organizations.

Survey, 1966–1969 of July 1971 and the similar publication of July 1970, is the Office's principal study of the AFNs.

In the most general sense, the purpose of this study is to describe the financial structure of the AFNs of United States DIs. The delineation of the basic financial structure of AFNs is of fundamental interest. Further, it is of interest to evaluate the extent to which the AFN financial structures have changed. Since among the forces influencing the financial structures of DIs is the pressure brought to bear by OFDI, the FDIP's effects on the financial structures of AFNs is considered. In addition, as indicated in the chapters which follow, the analysis also provides insight into such questions as whether there is any affiliate debt which might be repaid if the Program were terminated, the balance of payments effects of the Program, and the effect of the 1971 revaluation on the financial structure of AFNs.

To achieve this, we have assembled balance sheet data for the AFNs of the large DIs sampled.[5] Each DI in the sample is asked to consolidate balance sheet data for all AFNs having assets in excess of $500,000. The consolidation is also across all countries except Canada. Since Canada is exempted from the Program, Canadian data are reported separately on the Form FDI–105 used to collect the data. The present analysis covers 440 DIs for which data were available for the years 1966–71.[6]

The analyses of the data are presented in two forms. Chapter 2 contains an analysis for the informed non-economist. Analysis more directly tailored for the economist is presented in Chapter 3. The econometric analysis is useful because a number of factors simultaneously influence the direct investment process and the resulting financial structure of AFNs. Only by analyzing the data in a properly specified, relatively rigorous model, can one gain insight into the role of a particular factor in influencing the process. Following the analytical chapters is an Appendix of Basic Data, Appendix B which contains a brief summary of the Program and A Bibliography of Related Literature.

[5] Form 105 was completed and filed initially by all DIs making 1969 direct investment in excess of $1 million or which had made cumulative long-term foreign borrowings during the 1965–69 period of $5 million or more. Subsequently the same DIs have been asked to file the data upon which this study is based.

[6] Earlier presentations of 105 data were based on somewhat larger samples of DIs. In the 1970 *Foreign Affiliate Financial Survey,* 515 DIs were included; in 1971, 469. The present sample encompasses more than 90 percent of the 1971 DI sample. Relating the FDI–105 sample to the OFDI universe, it can be noted that annual direct investment of the DIs in the 105 sample averaged 74.6% of the OFDI universe over the 1969–71 period. During the same period the sample equalled 78.9% of the Bureau of Economic Analysis' universe (where the universe composition is slightly different than OFDI's). It is also useful to compare selected items of these data to similar items available for 1966 and 1970 in: U.S. Department of Commerce, Bureau of Economic Analysis, *Special Survey of U.S. Multinational Companies, 1970,* a supplement to *The Survey of Current Business,* 1972. Comparing only items available in the BEA statistics, one finds the following for 1970:

(millions of dollars)

	BEA (298 DIs)	OFDI (440 DIs)
Total Assets	102,396	101,199
Total Liabilities	59,829	42,414
Net Worth	42,566	58,785
Plant & Equipment	41,280	44,409

The OFDI data contain no DIs whose primary function is financial. This probably accounts for the relatively larger proportion of plant and equipment in OFDI data. In the distribution of liabilities and net worth, OFDI classifies liabilities to the parent DI as net worth. The reasoning is that equity plus receivables from the AFN equals the sum of DIs' claims on AFNs' assets. Another point to be noted is that BEA collects data on each AFN of a given DI. Thus each AFN reports these data without consideration of what other AFNs are reporting. In contrast, OFDI requires that each reporting DI consolidate the data of its AFNs and report only the consolidated data. A central point here is that the DIs are required to net out inter-AFN transactions in order to report the net overseas position of the DI. The effect of the netting-out requirement is indicated by the fact that the inter-AFN liabilities outstanding at the end of 1971 which were netted out of OFDI data equalled $8.5 billion. In the OFDI data, AFN liabilities to others at the end of 1971 included $2.2 billion liabilities to U.S. persons other than the reporter.

CHAPTER 2

AFN FINANCIAL STRUCTURE: A GENERAL ANALYSIS

The FDIP aims at limiting the balance of payments impact of direct investment outflows by inducing offsetting foreign borrowing. If direct investment outflows (capital transfers and reinvested earnings) exceed prescribed "allowables",[1] DIs can bring themselves into compliance with the regulations by undertaking long-term borrowing from sources outside the U.S. and subtracting the proceeds of the borrowing from the actual direct investment. The remaining direct investment, known as "regulated direct investment", must be equal to or less than the DI's allowable.[2] In balance of payments accounting terms, the borrowings are recorded as capital inflows into the U.S., offsetting the direct investment outflow.[3]

As this implies, the focus of the FDIP is on the actions of the direct investor. However, funding from the DI is but one component of the total funding of the foreign affiliate. Thus it is also of interest to analyze the financial structures of AFNs in an attempt to identify Program effects. Such an inquiry may also yield other insights into the financial structures of the foreign affiliates of U.S. multinational enterprises.

An initial understanding of the aggregate financial structure for the 440 DIs included in this study can be gained from Figure 1. As of the end of 1971, direct investors had directly provided the financing for 54 percent (41 percent majority equity and 13 percent liabilities to DI) of existing AFN assets. Minority ownership had provided 3 percent of the financing. Total debt had been used to finance 43 percent of the total (14 percent long-term and 29 percent short-term). Focusing on equity, if liabilities to the parent are included in DI equity (as done above), one finds that the DIs provide 95 percent of the equity of AFNs. Focusing only on aggregate direct investment, one finds that actual majority equity is approximately three times more utilized than AFN liabilities to DI as the form which the DIs' "equity claims" actually take.

In the analysis which follows, the description of the data first focuses on the financial structure of AFNs in the "Scheduled Areas".[4] Subsequently Canadian data (direct investment in Canada is exempted from the Program's controls) are reviewed and compared to the data for Scheduled Areas. The stock, or straight balance sheet data, are considered first. Changes in the stock, or flow data, are then considered, followed by a consideration of ratios of selected data.

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[1] Allowables have generally been liberalized over the life of the Program by increasing the size of the worldwide minimum allowable ($2 million in 1971) and by the introduction of the earnings allowable. A DI might elect to use either the earnings or the historical allowable. In 1971 a DI electing the earnings allowable was permitted direct investment equivalent to 40 percent of the previous years' earnings in each scheduled area.

A DI electing the historical allowable is permitted to make, without offsetting actions, investments equal to 110 percent of the 1965–66 average in Schedule A; 65 percent of the 1965–66 average in Schedule B; and 35 percent of the period's average in Schedule C. As an alternative to the simple minimum allowable, a DI might elect the minimum allowable of $2 million for Schedules B and C with a supplemental allowable for Schedule A of $4 million. Beginning with 1973 (not covered in this analysis) this last option has been modified so that a general worldwide minimum allowable of $6 million is in effect.

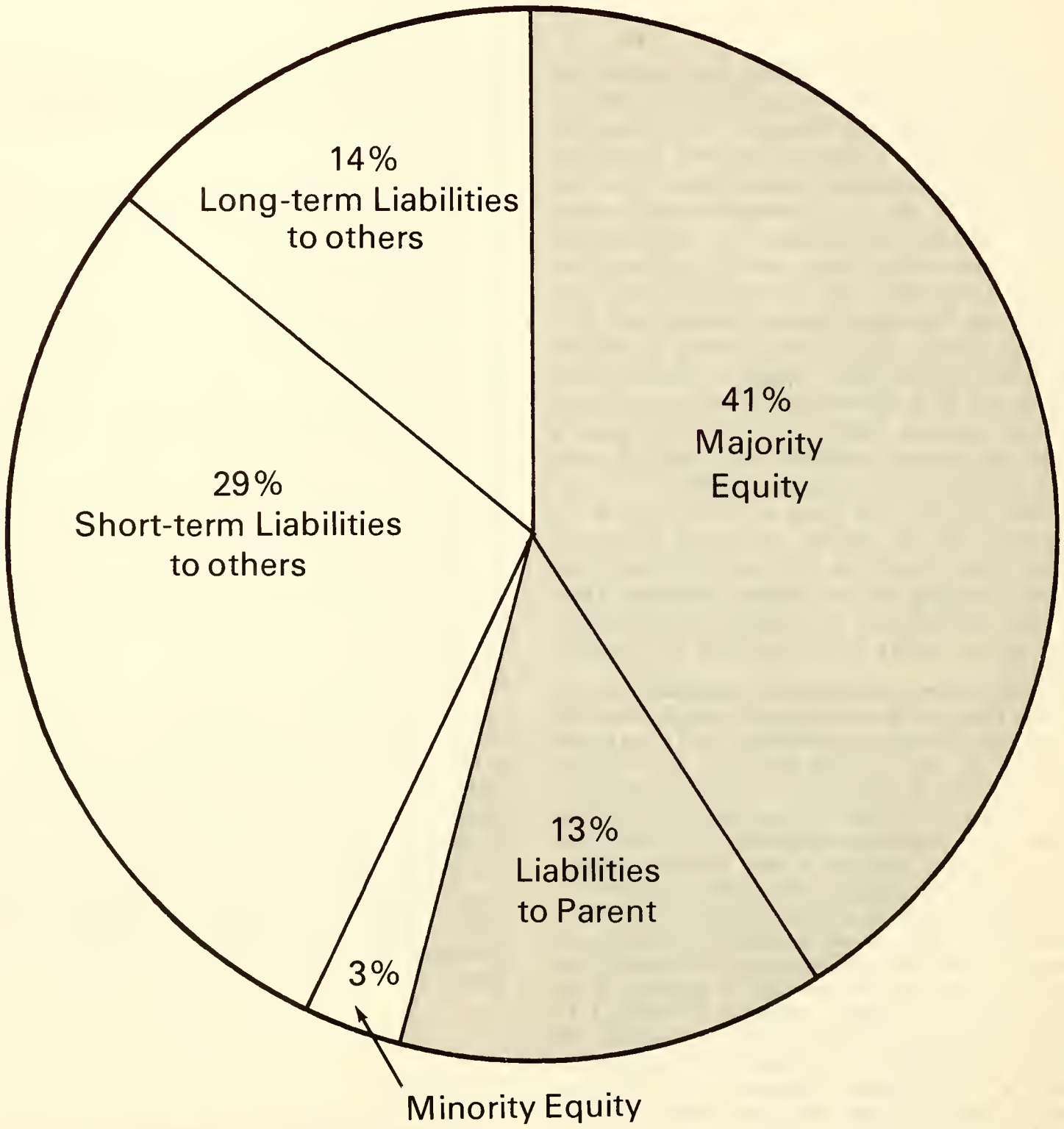
[2] For a survey of the volumes of investment involved see: OFDI, *Foreign Direct Investment Program, Selected Statistics*, August 1972, p. 5.

[3] For a brief summary of the program, see Appendix B.

[4] Schedule A includes all developing nations except selected oil producing countries. These oil producing countries, selected countries from the sterling bloc and Japan were placed in Schedule B; Spain was included in Schedule B in 1970. Countries not included in Schedules A or B were placed in Schedule C. Canada, in Schedule B, was exempted from the Program in March 1968.

Figure 1

Distribution of the Stock of Worldwide AFN Financing by Type of Financial Instrument, 1971



Source: Tables 4-1 and 4-10.

Note: Shaded area equals direct investment.

All Industries in All Countries Except Canada

The data for all industries found in Table 4–1 (Page 52) show that total AFN assets of the DIs in the sample increased 92 percent between 1966 and the end of 1971. The claims of direct investors, however, increased only 75 percent during the same period. This points up one of the more interesting phenomena observed: AFN liabilities increased 119 percent during the period (27 percentage points faster than total assets).[5] To attribute the more rapid increase solely to the FDIP may be presumptuous because of the small amount of pre-Program data available. Nonetheless, for 1966 and 1967, the pre-Program years for which data are available, the share of assets against which DIs had a direct claim was relatively stable at approximately 58 percent. By 1971 the DIs' position had declined five percentage points to about 53 percent.

Delving into these data, one finds that the direct ownership component (majority equity) of DIs' claims increased at about the same pace as AFN liabilities to DIs. Turning to the rapidly expanding liabilities, one finds that long-term liabilities grew more rapidly than short-term liabilities (134 percent and 113 percent respectively). In both categories of liabilities, interest-bearing liabilities increased more rapidly than non-interest-bearing liabilities (usually associated with supplier credit). The more rapid growth of interest-bearing liabilities may reflect several forces at work. First, it would seem that AFN asset expansion continued to be viewed favorably enough (anticipated rate of return greater than interest costs) to justify borrowing to finance it. Second, the fact that long-term liabilities grew more rapidly than short-term liabilities could be an indication that FDIP pressure on the DIs forced a shift in the financial structure of AFNs.[6] A hypothesis which may be offered as an alternative to the second explanation could be that DI borrowing experience induced by the FDIP has had a demonstration effect on the AFNs. If so, it is possible that a structural shift has occurred by which AFNs will permanently rely more heavily on debt financing available in European capital markets. Third, the U.S. direct investors probably preferred to finance the acquisition of foreign assets with AFN liabilities in order to minimize exchange risk. Finally, it is possible that changes in AFN practice reflected similar changes undertaken by the parent DI.

Another structural shift is the change in the composition of the asset structure. In 1966 and 1967, fixed (long-term) assets and current (short-term) assets each made up between 45 and 46 percent of assets. By 1970 and 1971, current assets were larger by approximately seven percentage points. This more rapid expansion of current assets (101 percent compared to 77 for fixed assets) may indicate that AFNs are extending more credit and maintaining larger inventory balances than they were five years ago. If this explanation is valid, it may also account for the growing use of debt to finance AFN expansion. That is, rather than being Program-related, the decreased reliance on direct investment may reflect a general maturing of the average AFN enterprise.[7]

In summary, a number of important changes have taken place in the aggregate financial structure of foreign affiliates of United States direct investors since 1966. To gain additional perspective on the forces at work, we now consider the Canadian data.

All Industries In Canada

The relevant data for Canada are found in Table 4–10 (Page 61). AFN assets in Canada for the sample considered here expanded 56 percent in the years 1966 through 1971. During the same period, liabilities increased 73 percent, while the claims of DIs expanded only 52 percent. The relative growth of assets and liabilities is almost identical for Canada and for the

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[5] A useful distinction to be made is between asset formation and direct investment formation. Assets can increase without increasing direct investment. To do this, either more debt or more foreign equity could be used to finance the asset formation. The FDIP's optimum goal is to have a positive balance of payments effect without slowing the growth of foreign assets. The empirical evidence suggests that any slowing of AFN growth is not noticeable. The expansion of direct investment has also been strong and consistent, although possibly somewhat slower than might otherwise have occurred. The increased reliance on debt financing may be suggestive here. At any rate, OFDI seems to have been successful in generating a balance of payments effect without having a noticeable adverse effect on AFN growth.

[6] This is not a perfectly clear situation, since short-term debt is often refinanced repeatedly thereby changing its characteristics to long-term.

[7] This explanation is developed with the knowledge that FDI–105 reporters are large, well-established direct investors. However, if their expansion of direct investment involves establishing locations in new areas or moving into new product lines, what is taking place may be the establishment of new sales facilities. The asset composition of these new facilities, which would decrease the direct dependence upon the DI, would probably emphasize current assets (e.g. inventories).

Scheduled Areas. The comparison of the relative expansion of assets and direct investment is hampered because minority equity plays a more important role in financing AFNs in Canada than in the rest of the world. In Canada minority equity has averaged approximately 9 percent of total equity (lines 1 plus 2 in the tables) for the six years for which data are available, compared to 5 percent for the rest of the world.

The relative growth of Canadian AFN liabilities may be taken as an indication that the similar growth in Schedules A, B, and C was not entirely a direct result of the FDIP, which became effective January 1, 1968. Rather these developments may more closely reflect a fundamental adjustment in the financial structure of U.S. foreign affiliates which might eventually have occurred even in the absence of the Program.[8] It may be, however, that by forcing U.S. DIs to take a closer look at foreign sources of finance, the adjustment process was accelerated.

Looking further at the Canadian data in Table 4–10, it is interesting to note the difference in the composition of the expansion of the value of direct investment (as compared to the Schedule A, B, and C data in Table 4–1). In Canada the outright ownership expanded almost as rapidly (67 percent) as in the rest of the world (75 percent). In comparison the liabilities of Canadian AFNs to the parent DI were only 1 percent greater in 1971 than they were in 1966. (In Schedules A, B, and C, as indicated above, this type of DI claim on AFN assets expanded at a pace similar to that of majority equity). This Canadian experience (where the direct investment is generally somewhat more mature) may indicate yet a more advanced stage in the financial independence of the AFN. That is, Canadian AFNs may be mature enough to exert their financial independence sufficiently to repay liabilities to the parent firm.[9]

Also, the substantial increase in long-term non-interest-bearing liabilities of Canadian AFNs (154 percent since 1966) may account to some degree for the negligible growth in AFN liabilities to parents. What may be manifested is merely a shift in the source from which the credit is extended. As one might expect, the rapid expansion of non-interest-bearing long-term liabilities biased the changes which occurred in the liability structure of Canadian AFNs. Thus a comparison with the liability experience of AFNs in the rest of the world is not very meaningful. One can say, however, that the Canadian experience (except for the non-interest-bearing long-term liability category) is of much slower expansion than that recorded in Schedules A, B, and C. This could be interpreted as reflecting the greater maturity of Canadian direct investment.

Finally, in contrast to the experience in Schedules A, B, and C where current assets expanded more rapidly than fixed assets, the Canadian experience records approximately the same rate of expansion for each type of asset since 1967. As a result, the Canadian asset structure continues to be dominated by fixed assets. This may be but a manifestation of industry-specific considerations. However, reference to the industrial structure of U.S. direct investment in 1971, as portrayed in Table 2–1, lends little general support for this position. In general, from this table one concludes that the industrial structures of U.S. direct investment in Canada and the rest of the world are similar. The most important differences in structure are found in "other industries", the "nonelectrical machinery industry", and "other manufacturing industries". But these exceptions probably would not account for the difference in the asset structure.

For an alternative explanation, one might refer back to Tables 4–1 and 4–10. As mentioned earlier, these tables show that expansion of both direct investment and total assets was more rapid in the Scheduled Areas than in Canada. It is reasonable to surmise that the ascendancy of investment in the rest of the world may have shifted the asset composition over the period for which data are available. In this context, relative stability in the industrial composition of U.S. direct investment in the rest of the world in future years may result in a relative shift in asset composition back to the predominance of fixed assets. In other words, as argued in footnote 7 above, the present relationship between fixed assets and current assets in the rest of the world may be transitory rather than permanent. For a more adequate understanding of the question, and hopefully to begin discovering some answers, attention is now turned to similar data grouped by industry.

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[8] The possibility exists that the heavier reliance on minority equity in Canada biases this impression. Reference to Tables 4–1 and 4–10 suggest the neutrality of minority equity in this setting. In both Canada and the Schedular Areas, minority equity has declined relatively as a source of financing by similar percentages.

[9] It could be argued that Canadian AFNs' paydowns of liabilities to parents DIs was related to anticipated exchange rate shifts. Although this is plausible, both the small magnitudes and the fact that the paydowns occurred on both sides of the 1970 date on which Canada altered its exchange rate policy suggest that the major determinants of the paydowns are not exchange rates. It is suggestive that the 1968–69 paydowns were concentrated in manufacturing and the 1970–71 paydowns were predominantly in extractive industries.

TABLE 2–1

Industrial Distribution of Direct Investment, Schedules A, B, C and Canada, 1966 & 1971 (per cent)

Industry	Schedules A, B, and C		Canada	
	1966	1971	1966	1971
Extractive	36	36	33	31
Manufacturing				
Chemical and Allied Industries	12	11	12	11
Electrical Machinery	5	6	7	7
Non-Electrical Machinery	10	10	6	5
Transportation Equipment	10	8	11	10
Other Manufacturing	20	19	24	25
Total Manfacturing	57	56	60	58
Other Industries	7	8	7	11
TOTAL	100	100	100	100

Source: Table 4-1 to 4-18

By Industry, General[10]

Table 2–1 shows the allocation of direct investment by industry, and shows that investment in manufacturing is the most important. Within the manufacturing category, "other manufacturing" is most important. These data show only minor distributional changes in direct investment between 1966 and 1971. The biggest change (4 percentage points) was in U.S. investment in Canadian "other industries".

The industry distribution of direct investment shown in Table 2–1 provides only partial insight into the distribution of the value of AFNs of U.S. direct investors. As discussed in connection with Figure 2–1, investment in AFNs can also be increased by incurring debt through normal banking channels. If the use of debt financing were the same in all industries, one could assume that the relationship between direct investment and total assets would be the same in all industries. However, if the use of debt is industry-specific, it would be useful to measure the extent to which direct investment is relied upon to finance AFNs. This can be done by calculating a "leverage" ratio—the ratio of total liabilities and minority equity to total assets.[11] Of interest is not only the leverage ratio, but also whether it varies by industry or over time.

A leverage ratio (L) expressed as

$$L = \frac{\text{Total Liabilities and Minority Equity}}{\text{Total Assets,}}$$

can be adjusted for analytical purposes by excluding non-interest-bearing liabilities and an equivalent amount of assets from the ratio calculation. Such a distinction is not intended to suggest that a direct connection between specific assets and specific liabilities can be ascertained. Rather it is a recognition that a firm, attempting to maximize its value, will attempt to lower its average cost of capital by prudently maximizing its use of non-interest-bearing liabilities.[12] If the firm's ability to use non-interest-bearing liabilities changes over time, other changes of more direct interest may be obscured. Thus, use of interest-bearing debt and minority equity seems to be the most precise analytic tool. Given this consideration, the asset definition used in leverage analysis which follows is net of assets financed by non-interest-bearing liabilities. The most straight-forward expression of this relationship is:

$$L' = \frac{\text{Interest-bearing Debt and Minority Equity}}{\text{Employed Capital}}$$

where Employed Capital is defined as assets

[10] Data are grouped to preserve the anonymity of DIs while presenting meaningful categories. The industry definitions are as follows:

Industry	SIC Code	Number of DIs included
a. All	All	440
b. Extractive	10 to 14 and 29	55
c. Manufacturing	19 to 39 excl. 29	296
d. Chemicals and Allied	28	61
e. Electrical Machinery	36	42
f. Non-electrical Machinery	35	42
g. Transportation Equipment	371 to 375 and 379	19
h. Other Manufacturing	All category c not included in d through g	132
i. Other industry	All category a not included in b and c	89

[11] If the assets of AFNs are financed primarily by the direct investor with credit and equity contributions, the leverage ratio is relatively low. If AFNs' assets are financed primarily by liabilities and minority equity interests, the leverage ratio is relatively high.

[12] Trade credit is included with non-interest-bearing liabilities.

financed by direct investment, minority equity, and interest-bearing liabilities.[13]

Tables 4–1 and 4–10 show that in the aggregate, AFNs have increasingly relied on non-interest-bearing liabilities to third parties as a source of financing. Industry-specific shifts have been mixed. However, the aggregate changes seem to suggest an institutional change has occurred which could manifest itself as a decreasing reliance on direct investment as a source of financial capital. By moving to the analytic leverage concept, the influence of this institutional change is eliminated. Thus, the implications of the findings can be narrowed more than might otherwise be the case.

Perspective on the leverage concept used here —interest bearing debt and minority equity/employed capital—is provided by Figure 2, which shows that as of the end of 1971 direct investment accounted for 70 percent of market-financed assets of AFNs in the sample. Minority equity accounted for 4 percent, and total interest-bearing liabilities accounted for 26 percent. Comparing these data to those in Figure 1, the most interesting feature revealed by the deletion of assets financed by non-interest-bearing liabilities is the lesser relative weight of interest-bearing liabilities as opposed to equity. Otherwise, as expected, the equity components increased in relative importance as a result of the deletion of assets financed by non-interest-bearing liabilities.

By Industry, All Countries Except Canada

Table 2–1 shows that 36 percent of direct investment in the Scheduled Areas was in extractive industries in both 1966 and 1971. During the same period, employed capital in the extractive industries declined from 33 to 32 percent of total invested capital. This was occurring while the interest-bearing debt and minority equity—employed capital leverage ratio was increasing from 17.9 percent to 19.8 percent in the extractive industries. Concurrently, the leverage for all manufacturing increased from 29.6 percent to 35.6 percent. Thus, although manufacturing investment as a fraction of total investment dropped only one percentage point between 1966 and 1971, each unit of direct investment came to control substantially more employed capital. This increase in leverage was more rapid in manufacturing than in extractive industries.

An examination of leverage factors by industry (Table 2–2) shows that the greatest use of leverage is in the electrical equipment sector, with the least in the non-electrical machinery sector. Leverage increased in all manufacturing industries, with the biggest increase in "other manufactures", and the smallest in transportation equipment.

In summary, during a period when assets of AFNs were increasing 95 percent in manufacturing industries, significant changes were taking place in the financial structures of the relevant firms (as well as in firms in the extractive and other categories). Basically, direct investment came to be a relatively less important source of financing, while AFN borrowing (interest-bearing) became more important. Non-interest-bearing debt increased more rapidly than direct investment, but not as rapidly as interest-bearing debt. Finally, at the aggregate manufacturing level, growth of current assets was faster than that of fixed assets. If one assumes that a given relationship should exist between current assets and current liabilities, one concludes that no fundamental change is

[13] Alternatively, total assets minus assets financed by non-interest-bearing liabilities. This leverage ratio should not be construed to apply to any particular asset category.

TABLE 2–2

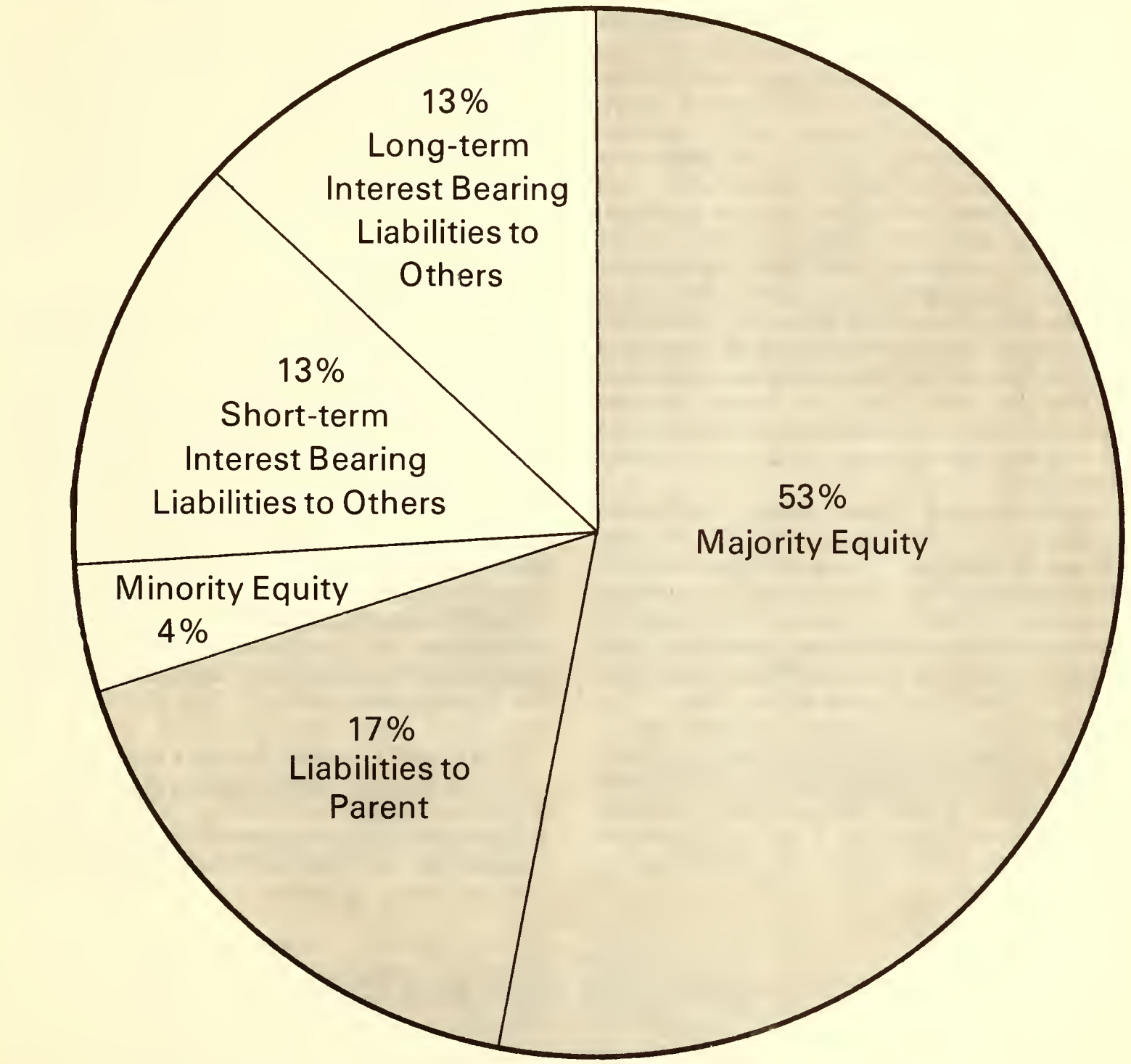
Interest-Bearing Debt and Minority Equity/Employed Capital Relationships
Schedules A, B, and C, By Industry
(Percent)

Industry	1966	1967	1968	1969	1970	1971
Manufacturing, Total	29.6	30.9	32.3	33.0	35.3	35.6
Chemical and Allied Industries	24.0	26.3	28.6	26.8	27.4	31.3
Electrical Machinery	41.6	43.0	46.0	46.3	50.3	45.7
Non-Electrical Machinery	21.7	23.8	26.1	25.9	30.1	26.9
Transportation Equipment	35.6	36.4	34.4	34.6	36.9	37.9
Other Manufactures	28.7	29.0	31.1	33.8	35.4	37.2

Source: Table 4-3 to 4-18.

Figure 2

Distribution of the Stock of Worldwide AFN Equity and Interest Bearing Liability Financing by Type of Financial Instrument, 1971



Source: Tables 4-1 and 4-10.

Note: Shaded area equals direct investment.

reflected in the rapid expansion of current assets. In fact, the interest-bearing short-term liabilities increased from approximately 22 percent of current assets for the 1966–68 period to 23 percent for the 1969–71 period.

By Industry, Canada

As Table 2–1 indicates, 31 percent of U.S. direct investment in Canada was in the extractive industries in 1971, down from 33 percent in 1966. This decline of relative position was not, however, absorbed by manufacturing, the relative position of which also declined. The relative gains were in the category identified as "other industries" in which the share of direct investment increased from 7 to 11 percent. Within manufacturing only "other manufactures" improved its relative position with "electrical machinery" maintaining its position. Direct investment expanded in the rest of the world more rapidly than in Canada in both the manufacturing and the extractive industries. Comparing these two groupings of direct investors, one finds that over the 1966–71 period investment in extractive industries expanded more rapidly in the Scheduled Areas, while in Canada investment in manufacturing increased more rapidly than investment in extractive industries.

A comparison of interest bearing debt and minority equity—employed capital leverage ratios shows that leverage in Canada manufacturing declined from 26.6 percent in 1966 to 25.6 percent in 1971. In contrast, leverage in Canadian extractive industries increased from 26.4 percent to 30.2 percent. This pattern reverses that found in the rest of the world.

An examination of Canadian leverage ratios in Table 2–3 by type of manufacturing shows that the decline in leverage in manufacturing was essentially a 1971 phenomenon, perhaps only transitory. Probably a more important phenomenon is observable in the difference between the pattern of leverage changes in Canada and the rest of the world. As noted earlier when discussing Table 2–2, except the chemical industry, DI leverage increased in manufacturing in the rest of the world during the 1966–71 period in a consistent and rather orderly pattern. In contrast, two of the five subcategories of Canadian manufactures recorded declines in leverage over the period. The remaining three subcategories demonstrate much less orderliness in the pattern of change in leverage. One conclusion that might be reached about the financing of AFNs is that the choice between debt and equity is a more volatile matter in Canada than elsewhere. A second conclusion is that the pattern of general reliance on a larger proportion of commercial debt observed in connection with the financing of other AFNs is not found in Canada. In Canada, even where more debt is being used, the pattern does not yet show whether these are permanent changes.

The asset structure in Canadian manufacturing AFNs gives less indication of a permanent increase in the relative position of current assets than was found in the Scheduled Areas. Interest-bearing short-term liabilities increased from 15 percent of current assets during 1966–68 to 17 percent during 1969–71. Although the magnitudes of the percentages are 65–75 percent of those for the rest of the world, the percentage point change between the two periods is very similar. Thus current liabilities in Canadian AFNs seem to be increasing as in the rest of the world. This seems to offer support for the idea that the increase in current assets of manufacturing AFNs in the rest of the world has not been abnormal.

Annual Changes in the Financial Structures of Foreign Affiliates

The preceding data were stock in nature, and at each point in time cumulative. The data for

TABLE 2–3

Interest-Bearing Debt and Minority Equity/Employed Capital Relationships
Canada, By Industry
(Percent)

Industry	1966	1967	1968	1969	1970	1971
Manufacturing, Total	26.6	28.5	26.4	26.8	26.3	25.6
Chemical and Allied Industries	29.8	27.3	22.4	21.9	23.3	22.0
Electrical Machinery	39.0	38.9	33.2	38.1	40.6	41.6
Non-Electrical Machinery	23.2	27.8	27.2	25.8	29.5	26.8
Transportation Equipment	20.4	28.1	29.9	31.9	22.9	25.3
Other Manufactures	24.0	24.3	23.0	21.5	22.2	20.8

Source: Table 4-13 to 4-18.

annual changes in the stocks therefore yield marginal estimates when used for calculations. The data showing annual flows influencing financial structures of AFNs are found in Tables 4–19 to 4–27 (Pages 70–74) for affiliates subject to the FDIP, and Tables 4–28 to 4–36 (Pages 74–78) for Canada. The format of these tables is similar to that of Tables 4–1 to 4–18. The major difference being the inclusion of depreciation in Tables 4–19 to 4–36. As a "source of funds" the inclusion is made explicitly. As a "use of funds", depreciation is added to fixed assets. Thus, in Tables 4–19 to 4–36 fixed assets assume the definition of gross annual investment (new investment plus replacement investment). Annual new investment is obtained by subtracting the depreciation from the gross. New investment can alternatively be obtained by calculating the change in the stock of fixed assets from the data in Tables 4–1 to 4–18.

A priori one would expect these annual data to be more volatile than the cumulative data. An illustration of this is minority equity in Table 4–19. Generally, it would appear that the incremental role of minority equity in financing direct investment in the Scheduled Areas has been substantially reduced since 1968. However, the 1970 data cloud the picture somewhat. Another example is found in the 1970 increase and the 1971 decrease in the use of short-term interest-bearing liabilities to finance annual changes in assets. Moreover, the changing importance of direct investment as a source of financing is heavily influenced by the extension of credit by DIs to AFNs, which constituted 16.2 percent of the flow of funds in 1969 and 13.5 percent in 1971, but only 3.5 percent, 4.3 percent, and 4.7 percent in 1967, 1968, and 1970.

Table 4–28 presents similar data for Canada. Compared to the rest of the world, the role of minority equity has retained a relatively strong position. Shifts from year to year among liabilities is at least as pronounced as in the rest of the world.

Another interesting aspect of these data is the role played by depreciation in financing asset maintenance in Canada and the rest of the world. In the latter, depreciation has accounted, on the average, for 31 percent of the total source of funds. In Canada the average is 39 percent. However, the use of total source of funds as the base creates a misleading impression because of the lower reliance on debt as an annual source of funds in Canada (mean 18 percent for the five years) than in the rest of the world (32 percent). If liabilities are deleted from the base, depreciation as a percent of direct investment plus depreciation averaged 45 percent in Canada and 52 percent in the rest of the world over the five years under consideration. Alternatively, an examination of internal cash flow (reinvested earnings plus depreciation), shows that depreciation comprises a greater source of funds in the rest of the world than in Canada.

In general, the data in these tables give the impression that the precise source of funds is somewhat irrelevant in the short-run. On an annual basis, substantial shifts among sources of financing have taken place. This suggests that the primary goal of DIs is to expand in response to forces not reflected in the data which are presented in the tables. In this context the way the investments are financed becomes secondary. In the short-run, DIs generally seem to let AFNs use whatever source of funding is most readily available at a given time. When financial conditions change, the short-run actions can be modified so that the result better fits the desired long-run pattern. For example, in Table 4–1 one sees that short-term interest-bearing liabilities increased rapidly in 1969 and 1970. During these years long-term interest-bearing liabilities increased more slowly. However, in 1971 the pattern was reversed.

Tables 4–37 to 4–45 present selected annual data in a ratio (expressed in percentages) format. In addition to data derived from earlier tables, these tables present AFN earnings and revenues. The stability of the ratios is one of the several interesting impressions one gets from these data. Another is that investment in the rest of the world is relatively more profitable than in Canada. Although this may reflect accounting practice, it is probably, to some

TABLE 2–4

Indices of Selected Ratios of Annual AFN Data (1966–67=100)

Identity	Schedules A,B,C		Canada	
	1968–69	1970–71	1968–69	1970–71
Earnings	140	178	116	140
Revenue	130	171	126	155
Earnings/Revenue	107	105	91	89
Earnings/Total Assets	108	104	96	98
Debt/Equity	111	124	109	111
Earnings/Equity	112	114	99	102
Earnings/Long-Term Debt and Equity	110	110	98	100
Fixed Assets/Revenue	95	92	94	92
Total Assets/Revenue	99	100	95	91
Short-term Assets/ Short-term Liabilities	98	94	93	93
Fixed Assets/Equity	100	100	102	105
Short-term Liabilities/ Long-term Debt + Equity	109	119	112	108
Long-term Liabilities/ Long-term Debt + Equity	110	119	103	111

Source: Table 4-37.

degree at least, a consequence of greater risk. Since the magnitudes of the ratios differ for Canada and the rest of the world, the meaningfulness of a direct comparison between them to identify changes over time is difficult. Thus a comparison of changes in the ratios over time may help identify differential changes.

Table 2–4 provides such comparisons. By almost every index, one gets the impression of a stronger performance in Schedule A, B, and C countries than in Canada since the Program began. Despite FDIP constraints, both sales (revenues) and earnings of U.S. AFNs in the rest of the world expanded more rapidly than in Canada, where the controls did not apply. The changes in the fixed assets/revenue ratios are interestingly similar for both Canada and the rest of the world. The indices in Table 2–4 indicate that less fixed assets are now being used per unit of revenue, and that the changes have occurred in a parallel fashion in both Canada and the rest of the world. In contrast, the relationship between total assets and revenues has remained more or less constant in the rest of the world, while Canada came to use fewer total assets per unit of revenue. Put differently, current assets have (as observed earlier) expanded relative to revenues in Schedules A, B, and C but not in Canada.

Impressions such as these would vary as one considered various breakdowns in DIs as found in Tables 4–20 to 4–27, 4–29 to 4–36, and 4–38 to 4–45. Such detailed analysis is not undertaken here. The relevant data are presented in the Appendix of Basic Data for those wishing to study specific industries.

Selected Effects of the Program

At this point it is useful to return to the stock data (Tables 4–1 to 4–18 on Pages 52–69) to consider selected effects of the FDIP.

Effects on the Financial Structures of AFNs

As mentioned earlier, the Foreign Direct Investment Program was designed to induce direct investors to borrow abroad to offset direct investment outflows. Rather than offsetting 100 percent of direct investments, each DI was required to offset the direct investment which exceeded its allowed direct investment. The Program was thus not intended to influence the financial structure of AFNs. However, if the desired level of investment was greater than what was manageable directly by the direct investor, the AFNs may have been forced to borrow to finance the desired asset formation abroad. Alternatively, the experience of the DIs in borrowing abroad may have been shared with the AFNs, and the latter may have become more attuned to the possibilities of borrowing. Finally, the growth of local money markets in Europe and of the Euro-currency markets probably was stimulated by FDIP borrowing. After the expansion, AFNs and others could take advantage of the services of the expanded market, perhaps inducing generally increased reliance on debt.

To analyze the Program's effect on AFNs, three comparisons were made. Existing (possibly Program-affected) AFN financial structures in the Scheduled Areas were compared with (1) those of domestic companies, and (2) those of the same AFNs during the pre-Program years. (3) Canadian AFN financial structures during periods when there were capital control constraints are compared to the structures existing after Canada was exempted from the constraints.

Domestic source of funds data for nonfarm, nonfinancial corporations can be compared with AFN source data to evaluate whether AFN experience differs substantially from that of the parent DI. Because these data are from different data sets, it was thought best not to use the sophisticated leverage concept used elsewhere in this study. To do so could introduce bias if the definitions used in the two data sets were not identical. Instead, the simpler leverage concept—Total Liabilities/Total Liabilities + Equity (where Equity + Total Liabilities = Total Assets)—is used to analyze the annual sources of funds data. It should further be emphasized that these comparisons are based on annual flow data, while other analyses in this chapter, using only AFN data, are based on stock data.

The relevant leverage ratios given in Table 2–5 are plotted in Figure 3. These data indicate that equity has been relied upon more heavily in incremental Canadian AFN financing than in domestic or schedular AFN financing. More

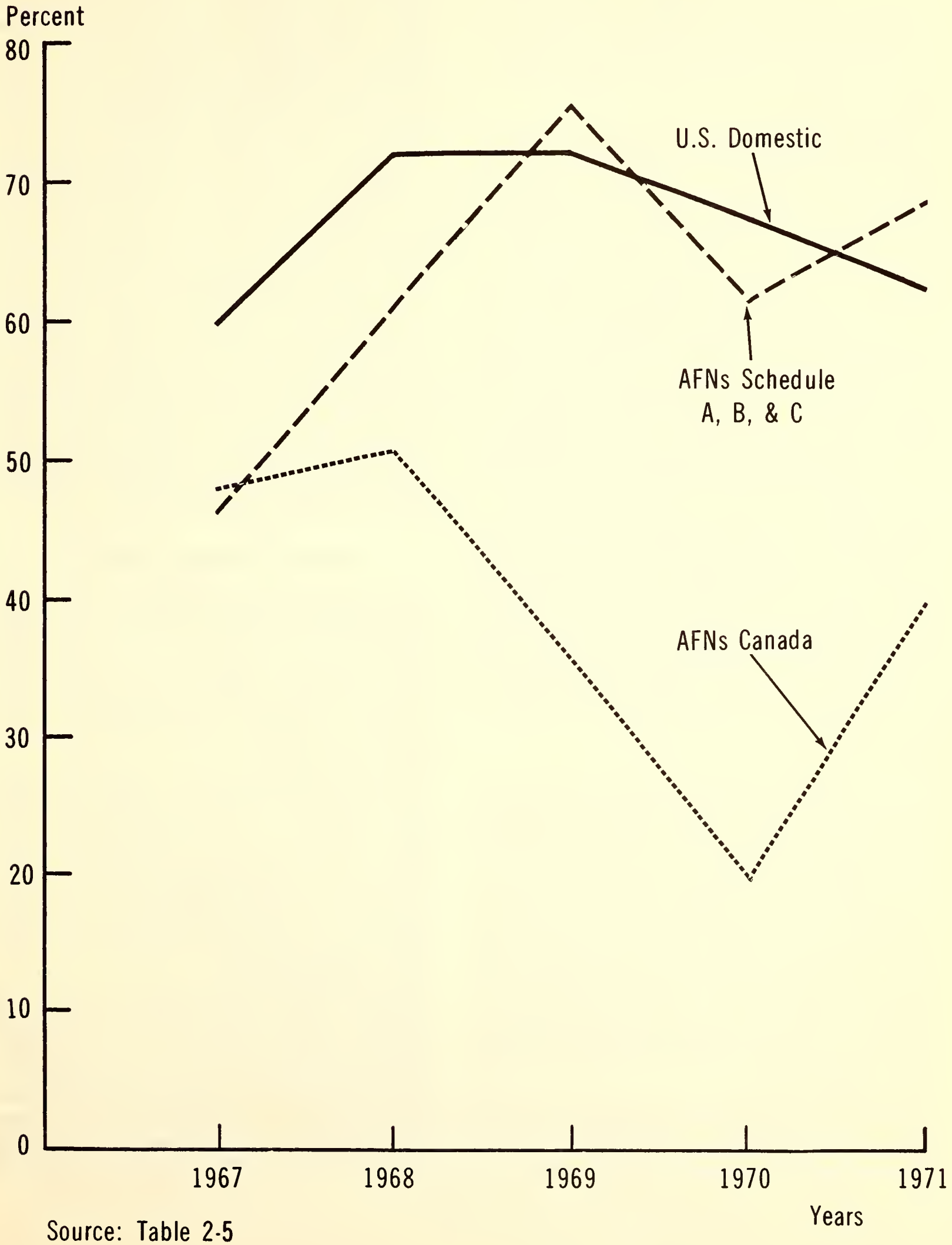
TABLE 2–5

AFNs and U. S. Domestic
*Total Liabilities/Total Liabilities + Equity**
Annual Flow Data for 1967–1971
(Percent)

Year	U. S. Domestic	AFNs Schedules A, B, & C	AFNs Canada
1967	59.9	46.2	47.8
1968	71.9	60.9	50.7
1969	72.2	75.5	35.6
1970	67.5	61.7	19.7
1971	62.3	68.7	39.7

Source: Table 4-19 and 4-28 and U. S. Department of Commerce, *Survey of Current Business*, August 1972, p. 36.
*Equity + Total Liabilities = Total Assets.

FIGURE 3
AFN and U.S. Domestic Total Liabilities/Total Liabilities +Equity Annual Flow Data for 1967-1971



Source: Table 2-5

important, however, is the fact that the pattern of equity's incremental use in Schedules A, B, and C AFNs is similar to that found in domestic enterprises. While the patterns are not identical, the similarities are, at least, suggestive that the two data sets are subject to common influences. If such is the case, one must take care to qualify conclusions that observed changes in the financial structure of AFNs are attributable to the FDIP. Indeed, at least part of the observed changes seem to reflect broader forces at work.

Turning to the evaluation based on pre-Program and Program experiences of Schedular AFNs, one can refer to Table 2–2.[14] The data contained therein are stock and utilize the sophisticated leverage concept. During the pre-Program years of 1966–67, the use of interest-bearing debt was increasing relative to equity, so that it cannot be said that the FDIP caused this tendency (the 1966–67 period is not a perfect bench mark because most major DIs were operating under the Voluntary Program during this time). What one observes is that significant institutional adjustments were under way prior to 1968 which continued through the Program years. If these adjustments were influenced by the Voluntary Program, as the Canadian data below suggest was possible, they may be said to have been affected by the capital control programs.

As Table 2–3 and Figure 4 show, when Canada was subject to the voluntary controls, the use of interest-bearing debt increased (the leverage ratio increased).[15] As soon as Canada was exempted from the mandatory controls (March 1968) the leverage ratio moved back to about the 1966 position and remained fairly stable until 1971. This would suggest that direct investment controls do influence the financial structures of AFNs since the leverage ratio continued upward in the Scheduled Areas where there was no exemption.

In summary, these alternative approaches suggest that recent changes in the financial structure of the AFNs in Schedule A, B, and C countries reflect broad general forces. Both domestic and historical comparisons tend to support this position. Alternatively, the data suggest that capital controls did influence the financial structure of Canadian AFNs during the period when Canada was subject to controls. But U.S. DIs in Canada were subject to capital controls for too short a time for this last bit of evidence to be taken as conclusive. If taken as indicative, and if the domestic-Schedular similarities are ignored, one is at least left with the suggestion that the mandatory FDIP has had an effect on the financial structure of AFNs similar to the effect of the Voluntary Program.

Two international implications of the FDIP for AFNs in the Scheduled Areas are analyzed in this Chapter's next two sections. There alternative calculations are made to provide an estimated range of Program effect. Although those estimates implicitly attempt to reflect general market forces, such considerations cannot be introduced explicitly because of data limitations. If such forces were introduced explicitly, one might expect to obtain estimates toward the lower end of the estimated ranges.

Balance of Payments Effects

The consideration undertaken here should be distinguished from the overall balance of payments effects of OFDI. Here there is no consideration of the balance of payments effects which result from DIs being required to borrow abroad to offset direct investment. The focus here is on the effect which changes in the financial structures of AFNs have had on the balance of payments.

As a starting point in this inquiry one might refer to Figure 5, which shows changes in employed capital, direct investment, and fixed assets for all industries. In contrast to the situation in which the purpose was to identify the effects of the Program on the financial structure of AFNs, the balance of payments effect is a gross effect and requires the use of data for all industries.

In Figure 5 one sees a parallel expansion of employed capital and direct investment in Canada over the 1966–71 period. In contrast, employed capital expanded more rapidly in the Schedular Areas than did direct investment.

One might estimate what direct investment might have been in Schedule A, B, and C countries in the absence of the observed changes by assuming that the ratio of employed capital to

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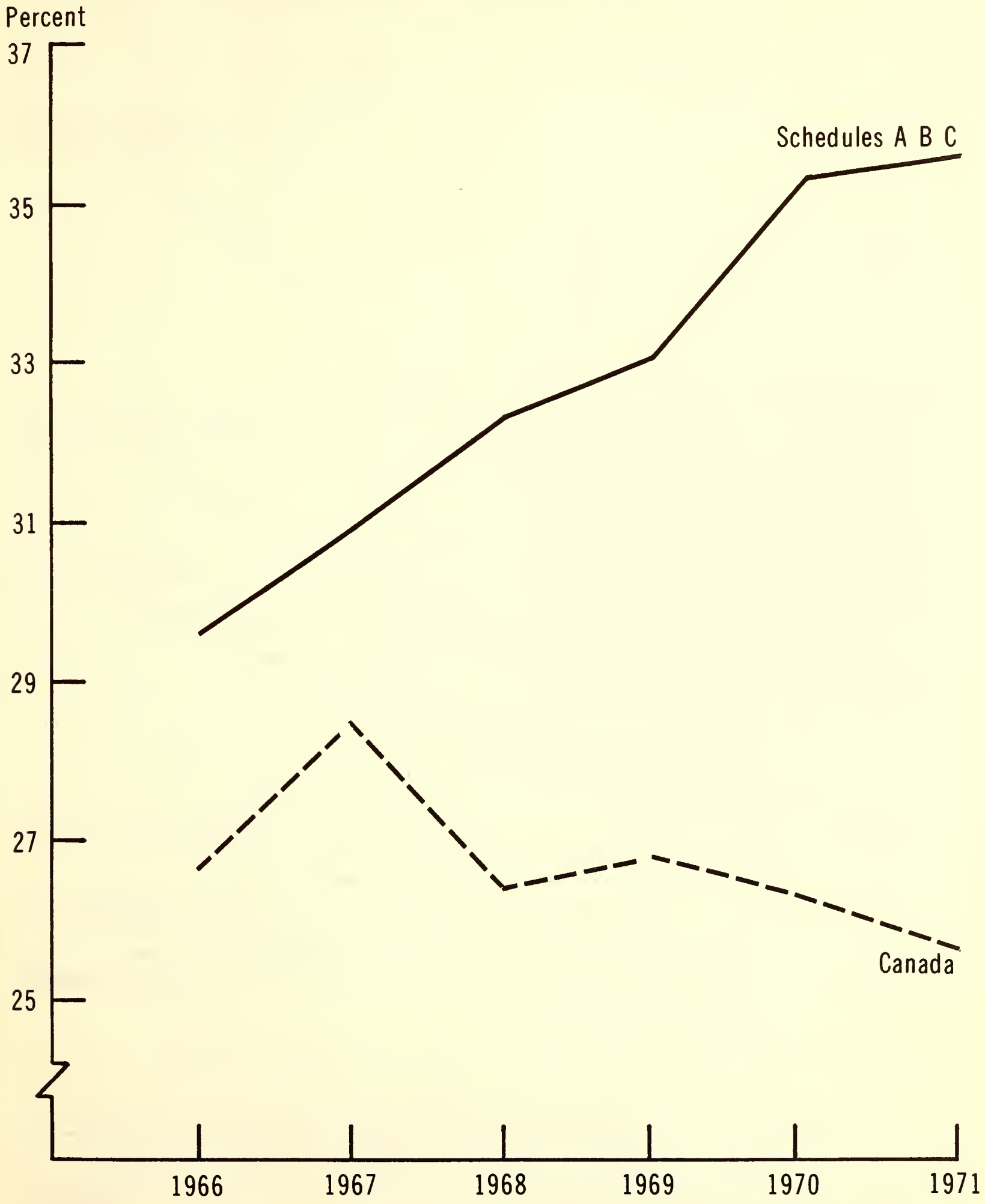
[14] For the analysis of Program effects it seems desirable to eliminate extractive industries for several reasons. First, the timing of investment in such industries is often determined by the discovery of mineral deposits. Second, because of this, the pattern of direct investment over time is likely to seem rather lumpy. Third, because of the nature of the industry's investment, financing patterns may differ sufficiently from that in manufacturing to obscure otherwise detectable changes in the data. Finally, the relative movements (Canada and the rest of the world) of the leverage ratio over time in the extractive industries is the reverse of the pattern prevailing in manufacturing. Thus the empirical patterns suggest that the other reasons for eliminating extractive industries from the data for the present purpose may be relatively valid.

[15] A variant approach providing a guide to the usefulness of Canadian data as a bench mark would be to compare Canadian AFN data to Canadian domestic data, but such is beyond the scope of this study.

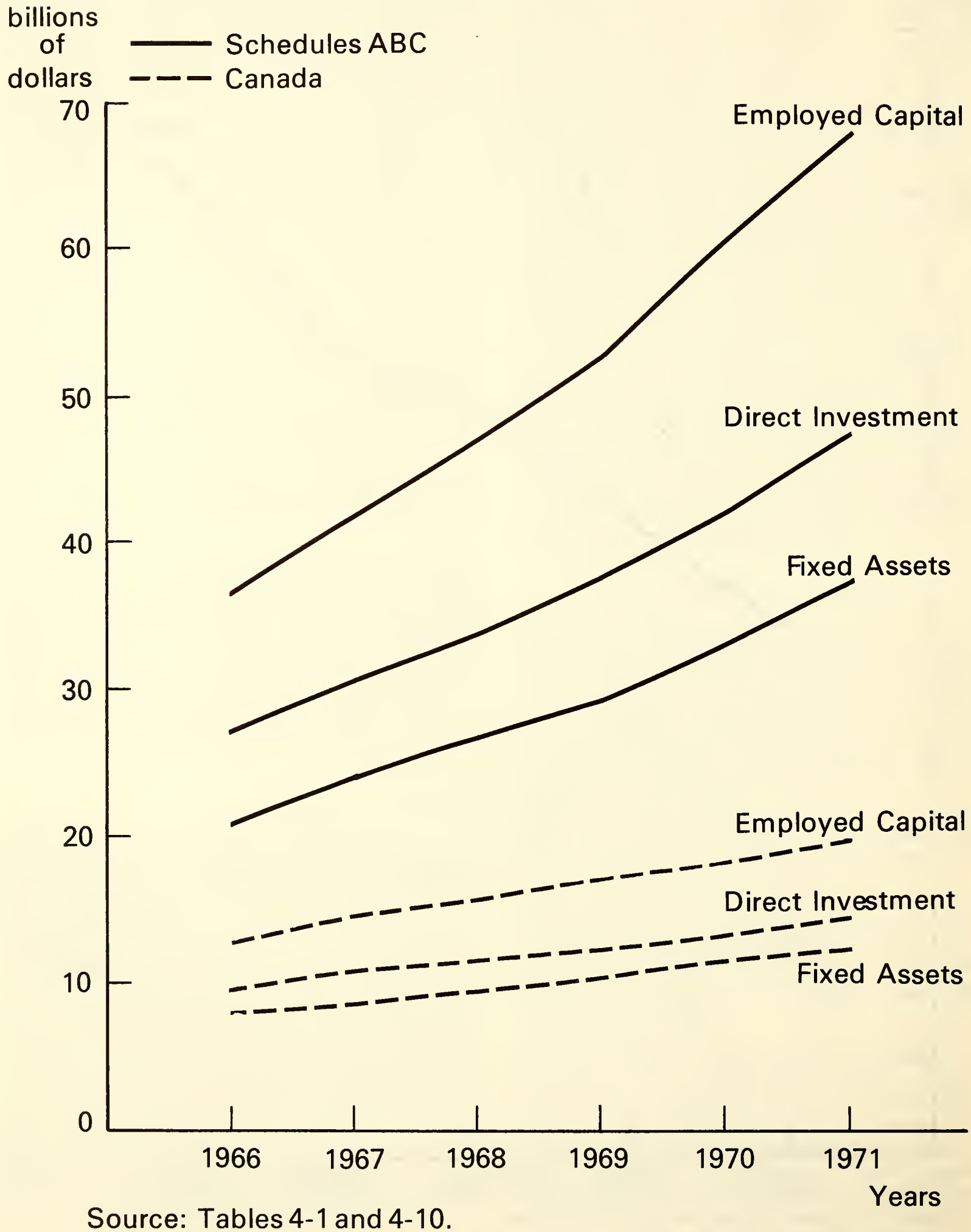
FIGURE 4
Interest-Bearing Debt and Minority Equity/Employed Capital Ratios Total Manufacturing 1966-1971



Source: Tables 2-2 and 2-3

Figure 5

Changes in the Stock of Employed Capital, Direct Investment, and Fixed Assets



Source: Tables 4-1 and 4-10.

TABLE 2–6

Cumulative Balance of Payments Effects of Changes in AFN Financial Structures

Country or Region and Assumptions	1966 & 1967	1968 & 1969	1970 & 1971
1. Canada-employed capital/actual direct investment ratio	1.362	1.364	1.359
2. A, B, C countries-actual EC/DI ratio	1.360	1.400	1.437
3. A, B, C employed capital-actual mean per 2 years (millions of $'s)	39,086.5	49,797.0	64,152.0
4. A, B, C direct investment actual mean per 2 years (millions of $'s)	28,750.5	35,563.5	44,652.5
5. A, B, C-Hypothetical direct investment if current* Canadian pattern followed-mean per 2 yrs. (millions of $'s)	—	36,502.1	47,215.3
6. A, B, C-Hypothetical direct investment if 1966-67 ABC pattern is assumed over time-mean per 2 yrs. (millions of $'s)	—	36,609.5	47,180.6
7. Balance of Payments effect assuming the Canadian pattern (line 5 minus line 4)	—	938.6	2,562.8
8. Balance of Payments effect assuming the 1966–1967 ABC pattern (line 6 minus line 4)	—	1,045.9	2,528.1

*Canadian ratio for current year applied to ABC actual invested capital.
Source: Tables 4-1 and 4-10.

direct investment in Canada would have applied in the Schedule A, B, and C countries. As can be seen in Table 2–6 for the DIs in the sample the cumulative balance of payments effect under this assumption as of the end of 1971 would have been 2.56 billion dollars.

Alternatively one might assume that the 1966–67 Schedules A, B, and C employed capital-direct investment ratio should apply in 1970–71. Using this approach it would seem that the institutional change had an effect on the financial structures of AFNs equivalent to a cumulative improvement in the balance of payments of 2.53 billion dollars.

These estimates must be considered tentative. If the FDIP retarded the growth of employed capital which might otherwise have occurred, there is an understatement of the balance of payments gains. The fact that the balance of payments gains have been greater during 1970–71 (when the Program was being liberalized) than during 1968–69 may be taken as an indication that the 1968–69 balance of payments effects are understated. An alternative explanation may be that liberalizations have been implemented at a pace which did not accommodate completely the growth of desired direct investment.

"Debt Overhang"

"Debt overhang" is a term which has come to be used to describe that outstanding foreign debt undertaken for FDIP compliance. In the narrowest sense the concept applies only to debt incurred by the direct investors themselves, which can be accurately measured because it is reported to OFDI.[16] As indicated above, U.S. direct investors may also have adjusted to the FDIP's constraints by having AFNs increase borrowings beyond what would normally have been undertaken. If this took place, AFN "debt overhang" should be estimated for inclusion in the larger picture.

The analysis of AFN debt presents the problem of abstracting from that growth of debt which is a function of normal business activity. Only debt in excess of the normal should be identified as "debt overhang". One way to accomplish this is to examine interest-bearing debt as a component of total employed capital. An alternate approach is to relate interest-bearing debt to AFN revenue.

Each of these two perspectives can be examined under different assumptions. One assumption might be that the relationship between AFN interest-bearing debt and either employed capital or revenues which prevailed in the pre-Program years would have remained constant through 1971. This assumption has the weakness of overlooking changes in market conditions between 1966–67 and 1971, which can be avoided by using the Canadian experience as a control. Under this approach, schedular experience can be compared to the Canadian experience. This alternative assumes that the relationship between schedular AFN practices and Canadian AFN practices remained constant from 1966–67 to 1971. That is, it is assumed that Schedular AFNs react to market forces in the same way as Canadian

[16] For an analysis of DI debt overhang see: OFDI, *Foreign Direct Investment Program, Selected Statistics*, August 1972, pp. 7–15.

TABLE 2–7

Alternative Estimates of FDIP-induced AFN Debt
(millions of dollars)

	When Related to Employed Capital	When Related to AFN Revenues
Assuming Pre-Program Schedular Experience Constant:		
Short-term Liabilities	1,369.1	887.0
Long-term Liabilities	1,605.4	1,190.9
Total	2,974.5	2,077.9
Assuming Schedular Financing Patterns Parallel Canadian Patterns:		
Short-term Liabilities	325.7	—240.1
Long-term Liabilities	1,445.1	1,008.5
Total	1,770.8	768.4

Source: Tables 4-1, 4-10, and 4-37.

AFNs, and that market forces have been the same in Canada and in Schedular countries. In the analysis, the mean of 1966–67 data is consistently used as the base period. Effectively this places the base at mid-year 1967.

Table 2–7 sets forth alternative estimates of AFN "debt overhang". The range found there is between $.8 billion and $3.0 billion. The more volatile portion of this debt would be the short-term. Under both assumptions, the larger estimate of short-term debt overhang occurs in relation to employed capital. However, the short-term debt is more closely related to day-to-day operations for which revenues probably serve as a better proxy. Within this context the two estimates provide a range between a short-term debt deficiency of −$.2 billion and an excess or "overhang" of debt of $.9 billion. The small size of these figures would seem to indicate that the FDIP has prompted little undesired borrowing by AFNs, and that the potential AFN debt overhang problem is minimal, possibly the maximum would be in the range of $1.5 to 2.0 billion with $1.8 billion being plausible.

Revaluation Effects

During 1971 there occurred important exchange rate adjustments in May. Subsequently on August 15 many exchange rates began a period of realignment which basically concluded with the Smithsonian Agreement in December of 1971. Both the fundamental disequilibrium which precipitated these changes and the aftermath of the changes introduced new uncertainty into the decision making process of U.S. direct investors and their AFNs. How well they protected themselves is a basic question to which we now turn.

Most of the data to permit reaching an opinion are available in the Appendix of Basic Data. However, in 1970 and 1971, OFDI collected disaggregated data for current assets. The introduction of these data in Table 2–8 complements the data in the Appendix of Basic Data, and permits a more complete appraisal of the exchange rate implications of the overseas operations of U.S. direct investors.

Table 2–8 indicates that each of the kinds of short-term asset expanded between 1970 and 1971 in both Canada and the rest of the world. As a result the stock of these three short-term assets for all AFNs in the FDI–105 sample of 440 direct investors amounted to $53,379 million as of the end of 1971. Of this amount 17.0 percent was held as cash, 44.3 percent as current receivables and 38.7 percent as inventories. This pattern is almost identical both in Canada and in the rest of the world.

These asset data must be combined with short-term liabilities data to permit one to gain an impression of devaluation effects on AFNs. Also, since OFDI data are not disaggregated by currency, it is necessary to observe shifts over a period longer than two years. As a result some of the benefits of the disaggregated short-term asset data which are available for only 1970 and 1971 are lost.

Table 4–19 on page 70 shows shifts in short-term interest-bearing liabilities over the 1968–71 period which suggest that some positioning was taking place. These year-end data indicate that a build-up of these liabilities began

TABLE 2–8

AFN Current Assets, 1970 and 1971
(thousands of dollars)

	Schedule A, B, C Countries			Canada		
	1970	1971	% Change	1970	1971	% Change
Total Inventories	14,832,540	16,667,668	+12.37	3,827,026	4,026,526	+ 5.21
Total Current Receivables	17,374,091	19,355,357	+11.40	3,819,671	4,278,525	+12.01
Total Cash and Other Current Assets	6,761,369	7,418,976	+ 9.73	1,301,303	1,631,950	+25.41
Total Current Assets	38,968,000	43,442,001	+11.48	8,948,000	9,937,001	+11.05

Source: Office of Foreign Direct Investments.

in 1969 and accelerated in 1970. In 1971 the growth decreased dramatically. Short-term (current) assets followed a somewhat similar though less noticeable pattern. Substantial increases in 1968, 1969 and 1970 were followed by a slower rate of growth in 1971.

Obviously important adjustments were under way. To attribute them to positioning in anticipation of revaluation is only one explanation, but in view of the data reported in Table 2–9 this seems a reasonable explanation. In this context two general explanations may be considered. First, firms could afford to increase foreign currency liabilities as long as short-term assets denominated in the same currency increased proportionately, thereby maintaining a relatively constant currency exposure position.

If revaluation were anticipated, foreign currency loans may be undertaken for several reasons. For example, an enterprise with a projected use of borrowed funds and with the uncertainty of the effects of a revaluation may be prompted to borrow while interest rates, loan terms, etc. are more predictable. In addition to minimizing uncertainty, as long as the proceeds of these liabilities can be held as assets denominated in the same currency as the liability, the exchange exposure problem is eliminated.

Firms with a normal operating position in which short-term liabilities were relatively more important compared to short-term assets might wish to borrow dollars if a dollar devaluation were anticipated (most likely short-term assets would also be held in dollars). Thus, whether dealing in foreign currency or in dollars, the AFNs' shifting position on short-term assets and liabilities over the 1969–71 period can be explained in terms of anticipated exchange rate adjustments.

Finally, if these movements are indicative, positioning for revaluation seems to have begun in 1968, and to have accelerated somewhat in 1970. Similarly timed movements are not observed for Canada (Table 4–28 on page 74). One reason may be that Canada began floating its exchange rate early in 1970. Thus the pressures which continued to build elsewhere were dissipated early. In summary, it seems as though DIs anticipated revaluations as much as two and a half years before they occurred, and positioned themselves to prevent exchange rate losses.

If this line of reasoning is valid, several results could be anticipated: (1) as indicated above, attempts would be made to denominate both assets and liabilities in the same currency; and (2) if successful, gains from the revaluation would be minor relative to the extent of the revaluation. In contrast, (3) if the U.S. multinational enterprises had not anticipated the revaluation, some loss might be expected to have occurred. Alternatively, if they were engaging in speculative activity (and were successful), one would expect gains similar to the percentage adjustments in the exchange rates.

Table 2–9 summarizes the effects of revaluations on the value of the direct investment included in this sample. For the 287 DIs answering the relevant questions on the FDI–105 form, the aggregate net effect was an increase in working capital (current assets minus current liabilities) of more than $300 million. Emphasis is not placed on the long-term liability data because data are not available on the change in value of fixed assets, which are neces-

TABLE 2–9
AFN Gains or Losses from 1971 Currency Revaluations [1], 287 Firms
(thousands of dollars and percent)

	Net Effect, All Firms in Sample		Firms in Sample with Assets and Liabilities Denominated Primarily in Foreign Currency [2]		Firms in Sample with Assets and Liabilities Denominated Primarily in U.S. Dollars [2]	
Short-term Assets:	$	% [3]	$	% [3]	$	% [3]
Cash and other short-term assets	115,451	1.8	170,689	3.2	− 55,238	−5.6
Inventories	283,764	2.1	271,018	2.4	12,746	0.6
Current Receivables	247,235	1.6	316,189	2.4	− 68,954	−3.3
Total Short-term Assets	646,450	1.8	757,896	2.6	−111,446	−2.1
Current Liabilities	−330,824	1.5	−596,565	−3.1	265,741	8.5
Short-term assets and Short-term liabilities, net	315,626	2.3	161,331	1.6	154,295	7.1
Long-term Liabilities	−343,483	3.6	−362,618	4.6	19,135	−1.2

Source: Office of Foreign Investments.

1. Revaluation which resulted in the diminished exchange value of the dollar would have the following results when viewed from a dollar perspective: (1) assets denominated in the foreign currency would increase in value; (2) liabilities denominated in the foreign currency will cost more to repay and therefore are considered to result in an exchange loss (—); when liquidated dollar-denominated assets will return dollars of lesser value as a result of revaluation and therefore yield an exchange loss (—). Dollar liabilities are eventually repaid in devalued dollars resulting in a gain for the borrower. In the table no sign indicates a positive gain and a minus sign signifies a loss from a dollar perspective.

2. Following footnote 1 to this table, firms which reported increases in the value of assets and liabilities as a result of the revaluation were deemed to have utilized primarily foreign currency assets and liabilities; firms reporting decreases in the values of both were deemed to be utilizing dollars.

3. Percentage of the specific asset or liability position as of the end of 1970. For example, the gain or loss on cash is recorded as a percentage of cash on hand at the end of 1970.

sary if long-term liabilities are to be considered. However, it is reasonable to assume that the increase in value of fixed assets exceeded that of long-term liabilities. Table 2–9 shows that working capital gains were about equally distributed between firms which seem to have used dollar-denominated accounts and those which used foreign-currency denominated accounts. One conclusion which is rather obvious is that multinational corporations need not be adversely affected by changes in the exchange rate.

CHAPTER 3

AFN FINANCIAL STRUCTURE: AN ECONOMETRIC INQUIRY

In the previous chapter it was suggested that by themselves the data in the tables of the Appendix of Basic Data provide few insights into the determinants of direct investment; they show the financial structure of the foreign affiliates of U.S. multinational enterprises after the direct investment has been made. Thus, it was asserted that the financial decisions are secondary, with the decision to invest or not to invest being primary. The determinants of direct investment, including the effect of the FDIP, must be understood, if balance of payments policy is to be optimized.

This section is divided into two parts; the determinants of investment are analyzed, and some estimates are made of the uses of funds by source for the years 1967–71.

The Determinants of Direct Investment

There have been a number of studies analyzing the determinants of investment. Many of the domestic investment studies in the Bibliography of Related Literature focus on the determinants of U.S. domestic investment, while many of the entries in the foreign investment section of the bibliography focus on the determinants of foreign direct investment. The first part of this chapter is, like many of these previous studies, an empirical investigation into the determinants of foreign direct investment.

Thus, many limitations found in previous works are also found here. For example, the present data set does not permit an evaluation of the role of national endowments of productive factors in determining the pattern of direct investment. It is thus not possible to identify the extent to which direct investment may be undertaken to take advantage of lower wages abroad. Nor is it possible to estimate the role of different levels of technology among countries in determining direct investment. Such analyses must wait a while longer.

Despite these limitations, the OFDI data collected on Form FDI–105 do have advantages not heretofore available. The consolidated balance sheet data of the foreign affiliates of the large U.S. direct investors sampled for the years 1966–71 are especially useful both because they consist of a matched sample of 440 DIs for these six years and because the data are internally consistent. In addition to the balance sheet data, matching data such as AFN dividends are available from OFDI's Form FDI–102 data.[1] This form makes it possible to disaggregate direct investment into its components—reinvested earnings and capital transfers. As noted later in this section, this division provides interesting insights into the determinants of direct investment.

The basic model used to identify the determinants of direct investment is a flexible accelerator model which can be specified as:

$$(1) \quad I = A_0 + A_1R_{t-1} + A_2\Delta R + A_3DI_{t-1}$$

where the capital-output ratio used to adjust total revenues was assumed to be unchanged in period t and in period t-1.[2] (For a listing of

[1] Data for dividends, earnings, capital transfers, reinvested earnings, specific authorization value, use of proceeds value and the value of foreign withholding taxes on AFN dividends are from Form FDI–102F. All other data are from Form FDI–105.

[2] The flexible accelerator model has been used primarily in connection with plant and equipment investment. In this study it is used in connection with what is technically a financial dependent variable, direct investment, which is instantaneously transformed into real assets. As long as direct investment (I) remains a stable source of financing new assets, and plant and equipment (PE) remains a stable proportion of total assets, the model should perform adequately for I if it does so for PE. Studies have generally found the I–PE relationship to be rather strong. In this study these earlier findings are supported by the extractive industry estimates. For that industry, the I–PE mean simple correlation for the 1967–71 period was .930. For manufacturing, the mean simple correlation was .563. (For

symbols used, see the glossary at the end of this chapter.) *A priori*, R_{t-1} and ΔR are expected to be positively signed. The DI_{t-1} coefficient is the estimated rate at which investment is replaced minus the speed of adjustment of actual revenues to expected revenues.[3] Thus its sign is a function of the relative importance of these two forces. For example, if it is positive, the implication is that replacement influences are greater than the speed of adjustment influence.

Other factors may influence the pattern of direct investment. For example, tariff and nontariff obstacles may distort investment patterns. Unfortunately, the present data set does not permit estimates of the importance of these influences. Data do exist to permit the estimation of the extent to which the FDIP has been permissive of direct investment. There is no way to identify direct investment which may have been avoided because of the Program. However, it is possible to identify direct investment which might have been prevented if special licenses to undertake such investment without borrowing abroad had not been granted through the specific authorization (SA) process.[4] As implied a positive sign for SA is expected.

Another relationship which can be tested using OFDI data is the role of foreign withholding taxes (WT) on dividends (D) in determining direct investment. If foreign withholding taxes retard dividend payments, one might logically expect an inverse relationship between their level and the level of dividends. Thus a positive relationship between WT and reinvested earnings (RE) would be anticipated. If foreign withholding taxes do not deter dividend payments, a positive relationship between the two would be expected and the relationship between reinvested earnings and WT would be negative. That is, as dividends increase (and reinvested earnings decrease), withholding taxes increase. For the capital transfer equations, the sign which WT might be expected to take is less predictable. If capital transfers complement RE, the two would be expected to have the same sign *vis-à-vis* WT. If they function as substitutes, the signs would be unlike. In extractive industries, evidence (not reported) suggests that CT is more a substitute for RE than is the case in manufacturing. This is probably the result of a larger proportion of the extractive AFNs being organized as branches rather than subsidiaries. Thus, if WT discourages D in extractive industries, WT and RE would have a positive relationship. And since CT and RE have an inverse relationship in these industries, an inverse relationship between WT and CT can be anticipated. In the aggregate, if capital transfers in the extractive industries and reinvested earnings in manufacturing are important enough, a negative relationship can be expected between WT and I.

Some empirical work of this sort has successfully incorporated an explicit cash flow independent variable. In the present formulation the positive aspect of DI_{t-1} in Model (1) represents the traditional investment replacement concept, which one would expect to be closely related to such internal cash flows as depreciation. As a variant of the Model (1) treatment, an internal cash flow proxy in the form of earnings (E) can be added to the equation in an experiment to identify its effect. If its coefficient's sign is positive, if it is statistically significant, and if its addition to the equation reduces the size of the coefficient of DI_{t-1}, then E might well be considered a partial proxy for cash flow's influence on direct investment.

This experiment also may yield indications of better model specifications, especially for reinvested earnings. It might be argued that an expanded flexible accelerator model is not a proper specification of the determinants of reinvested earnings (RE) in all cases, and that a model such as is traditionally used to explain

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all industries, it was .757.) Given these relationships, one would expect the basic flexible accelerator model (model 1) to yield the strongest results when used in conjunction with extractive industry data. The performance of the model for other industries is less certain since *a priori* the reasons for the I–PE divergence are unknown.

[3] The rate at which the stock of investment is replaced should bear a close relationship to the rate of depreciation. Therefore, if initially DI_{t-1} carried a positive sign when estimated in model (1), the addition of an explicit independent variable to identify the role of depreciation in the decision-making process should result in a decrease in the size of the DI_{t-1} coefficient. If the addition of a specific depreciation independent variable leaves the coefficient of DI_{t-1} positive, either the specification is less than perfectly precise, or other positive influences related to the current use of the stock of direct investment are also being identified. In general, such a positive influence might be described as an internal cash flow (to which depreciation would reflect the contribution of fixed assets). Because the dependent variable in most of the work done here theoretically reflects both fixed and short-term assets, the cash flow independent variable used is of the more general specification. Earnings, it is thought, serves as a proxy for internal cash flow. Some of the potential statistical problems which arise with the introduction of this variable are examined in footnote 8.

[4] If a direct investor's request for a specific authorization is denied, it is likely that new foreign borrowing would be undertaken to offset the direct investment involved. The direct investment would be prevented by an SA denial only if the direct investor refuses to make foreign borrowings to provide an offset to direct investment. Thus an SA could be considered a license to exceed allowables without borrowing.

dividend behavior would be more appropriate. If the explanatory power of equations incorporating E is substantially greater than those which do not, a dividend-type model can be used as an alternative formulation.

Finally, a second Program variable can be introduced. As indicated in Chapter 1, a direct investor is required to borrow abroad if direct investment exceeds allowables and an SA is not available. When foreign borrowings are used to offset extra-allowable direct investment, in the parlance of OFDI it is said that proceeds (of foreign borrowings) are used (UP). Since theoretically UP permits direct investment which in the absence of an SA might otherwise be prevented, the coefficient of the UP variable should have a positive sign. Also, the addition of UP to the equation should reduce the size of the SA coefficient. This is because SA alone can be expected to capture some of the UP-type Program effect.[5]

[5] The introduction and specification of SA and UP suggest that investment made within the FDIP allowables respond to normal market forces as identified by the other independent variables. The investment for which SA and UP seem responsible also responds to these market forces. However, investment in excess of program allowables can respond to market forces only if the sum of SA and UP is positive. Therefore, the SA and UP coefficients should be viewed as measures of the extent to which direct investment in excess of allowables was permitted to respond to market forces rather than viewed as determinants of investment. In no way should SA or UP findings be construed as measures of investment foregone because of the FDIP. No clear measures of such negative aspects of the Program exist. It was noted in Chapter 2 that both direct investment and fixed assets have expanded less rapidly than might otherwise have been expected since the Program's beginning. However, it was also noted that total assets have continued to expand at a vigorous pace. Given the last phenomenon, one can tentatively conclude that OFDI has not had a negative impact on foreign asset formation. This conclusion is supported by the suggestions that the increased preference for debt relative to direct investment can be explained by exchange rate uncertainties, the emergence of Euro-currency markets, evolving attitudes toward handling trade credit, and possibly similar domestic trends. The slow growth of fixed assets is harder to explain, but from the rapid growth of noncash short-term assets one might suspect that we are observing different phases of a fixed assets cycle and an inventory cycle. As explanations for the inventory cycle one can identify two forces, possibly complementary in the aggregate. First, day to day aspects of doing business abroad may be decentralizing somewhat. Second, one aspect of this may be that AFN inventories and receivables have been expanded either in response to decentralization or in response to expansion into new product lines and new countries, or both.

[6] Judging by the simple correlation coefficients (not reproduced here), multicollinearity generally did not influence the findings reproduced hereafter.

With the additions of SA, WT, E, and UP, model (1) becomes: [6]

$$(2)\ I = A_0 + A_1R_{t-1} + A_2\Delta R + A_3DI_{t-1} + A_4SA + A_5WT + A_6E + A_7UP$$

Estimates with 1971 specified as period t were made of both model (1) and model (2) as well as three intermediate formulations using the least-squares multiple regression technique. In addition to aggregate estimates, the data set was disaggregated into manufacturing and extractive categories and into the reinvested earnings and capital transfers components of direct investment. In addition to the 1971 estimates in Tables 3–1 to 3–9, the estimated coefficients for model (2) are presented subsequently in Tables 3–13 to 3–21 for the years 1968–71 to evaluate year to year changes in the observed cross-sectional relationships.

Tables 3–1 to 3–3 present estimates of the determinants of aggregate direct investment in Schedules A, B, and C.[7] In the equations for all industries in Table 3–1, the signs and significance of coefficients are stable over the array of alternative specifications. The coefficients for WT in 3–1.3, 1.4, and 1.5 and for R_{t-1} in equations 3–1.2, 1.3, and 1.5 are exceptions. The

[7] Some empirical studies have used plant and equipment expenditures as a dependent variable instead of direct investment. Below are three plant and equipment equations which correspond to the direct investment equations 3–1.5, 3–2.5, 3–3.5 respectively. FA_{t-1} (the stock of fixed assets in period t−1) was substituted for DI_{t-1} and DE (depreciation) for E. The PE equations (1971 = t) are as follows:

$$PEa = +1.7197 - .0179\ R_{t-1} + .0504\Delta R + .0329FA_{t-1}$$
$$(7.17)^{**} \quad (7.65)^{**} \quad (4.54)^{**}$$
$$-1.2107SA + 1.8059WT + .5251DE + .3279UP$$
$$(9.45)^{**} \quad (3.57)^{**} \quad (10.13)^{**} \quad (3.80)^{**}$$
$$\bar{R}^2 = .836;\ \overline{See} = 16.10$$

$$PEm = +2.4299 - .0243\ R_{t-1} + .0304\Delta R + .0390FA_{t-1}$$
$$(7.27)^{**} \quad (1.82) \quad (2.80)^{**}$$
$$-1.1001SA + 1.5893WT + .6448DE + .0251UP$$
$$(9.00)^{**} \quad (2.36)^{*} \quad (11.67)^{**} \quad (0.27)$$
$$\bar{R}^2 = .823;\ \overline{See} = 13.20$$

$$PEe = +3.6858 - .0252R_{t-1} + .1414\Delta R - .0078FA_{t-1}$$
$$(2.09)^{*} \quad (3.41)^{**} \quad (0.27)$$
$$+1.6659SA + 1.3233WT + .8742DE + .1953UP$$
$$(2.27)^{*} \quad (0.87) \quad (2.51)^{*} \quad (0.68)$$
$$\bar{R}^2 = .949;\ \overline{See}\ 18.20$$

The R_{t-1} coefficients have the wrong sign in the PE models. Similarly the R_{t-1} coefficient did not behave as expected in the I equations. Concentrating on the PE_m equation, the signs of SA and WT are reversed from those found in the I_m equations. The negative SA coefficient may be but a manifestation of the fact that PE has not been increasing at the same rate as total assets. In extractive industries, the SA coefficient is positive and significant. UP is significant only in the aggregate equation.

TABLE 3–1

Regression Results for Aggregate U.S. Direct Foreign Investment (Ia) in Schedule A, B, and C Countries, 440 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1.1	+1.4441	+.0087 (2.75)**	+.0274 (3.02)**	+.0946 (20.98)**	—	—	—	—	.798	22.50
1.2	+.8138	+.0042 (1.78)	+.0295 (4.32)**	+.0935 (27.51)**	+1.9145 (18.24)**	—	—	—	.885	16.90
1.3	+.7885	+.0031 (1.23)	+.0309 (4.47)**	+.0933 (27.42)**	+1.8334 (14.93)**	+.4823 (1.27)	— —	— —	.885	16.90
1.4	+.9229	+.0076 (3.55)**	+.0125 (2.11)**	+.0523 (12.78)**	+1.1788 (10.47)**	−2.8472 (7.17)**	+.6021 (13.89)**	—	.920	14.10
1.5	+.3545	+.0022 (1.35)	+.0164 (3.65)**	+.0140 (3.72)**	+.5689 (6.18)**	−2.4795 (8.21)**	+.5065 (15.20)**	+1.0128 (17.89)**	.954	10.70

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–2

Regression Results for Manufacturing U.S. Direct Foreign Investment (I_m) in Schedule A, B, and C Countries, 296 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
2.1	−1.1612	−.0105 (2.43)*	+.1550 (6.69)**	+.1427 (13.21)**	—	—	—	—	.678	19.60
2.2	+1.1296	+.0022 (0.76)	+.0432 (2.62)**	+.0913 (11.87)**	+1.8941 (19.13)**	—	—	—	.857	13.10
2.3	+1.1265	+.0023 (0.75)	+.0432 (2.61)**	+.0936 (9.60)**	+1.8948 (17.67)**	−.0075 (0.02)	—	—	.856	13.10
2.4	−.0995	+.0119 (4.25)**	+.0321 (2.22)**	+.0662 (7.61)**	+1.3575 (12.47)**	−3.4544 (6.43)**	+.4732 (9.64)**	— —	.891	11.30
2.5	−.3670	+.0048 (2.23)*	+.0208 (1.91)	+.0432 (6.43)**	+.9425 (10.91)**	−3.3136 (8.20)**	+.3761 (10.04)**	+.8723 (14.95)**	.938	8.59

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–3

Regression Results for Extractive U.S. Direct Foreign Investment (Ie) in Schedule A, B, C Countries, 55 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
3.1	+5.5457	+.0096 (1.18)	+.1180 (5.51)**	+.0626 (8.76)**	—	—	—	—	.976	17.40
3.2	+3.9365	+.0055 (0.75)	+.1264 (6.47)**	+.0658 (10.07)**	+2.1060 (3.51)**	—	—	—	.980	15.80
3.3	+3.9206	+.0033 (0.49)	+.1549 (7.69)**	+.0658 (10.93)**	+2.0482 (3.70)**	−2.7583 (3.14)**	—	—	.983	14.50
3.4	+4.8831	−.0288 (3.00)**	+.1579 (9.10)**	+.0516 (8.39)**	+1.8683 (3.91)**	−5.3613 (5.52)**	+.7681 (4.26)**	—	.987	12.50
3.5	+3.0105	−.0286 (4.02)**	+.1212 (8.60)**	+.0133 (1.76)	+1.1719 (3.16)**	−3.0306 (3.75)**	+.7524 (5.64)**	+.8988 (6.37)**	.993	9.26

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

basic model in 3–1.1 performs adequately using correctness of sign, statistical significance of the independent variables and $\bar{R}^2$ as criteria. Using these criteria, it would seem that the FDIP, as manifested in the UP and SA proxies, has been significant not as a determinant but rather in not impeding the growth of direct investment.

The influence of foreign withholding taxes on dividends is more ambiguous. When AFN earnings (E) are introduced as in equation 3–1.5, the coefficient of WT is statistically significant and negatively signed. An evaluation of the implications of the negative sign is undertaken below after the behavior of the capital transfer (CT) and reinvested earnings (RE) equations are explored. The behavior of the coefficient for E in equations 3–1.4 and 1.5 suggests that internal cash flow is an important determinant of direct investment. When E is added to the equation, the coefficient for WT becomes significant and the size of the DI_{t-1} coefficient is decreased.[8]

To summarize the estimates presented in Table 3–1, one can say that change in market size is a statistically significant determinant of aggregate direct investment. Internal cash flow (E) also seems to fall into this classification as do foreign withholding taxes and DI_{t-1}. From the viewpoint of the FDIP, equation 3–1.5 indicates that the Program proxies, SA and UP, have been significant in not impeding direct investment. The results for R_{t-1} are less ambiguous.

Considering the predominance of manufacturing DIs in the sample, it is not surprising that the pattern of results found in the equations for the manufacturing sector closely parallels the pattern for all industries. Possibly the most interesting difference is that R_{t-1} does not have the anticipated sign in equation 3–2.1. Only when the internal cash flow proxy (E) is introduced in equation 3–2.4 is the coefficient of R_{t-1} both correctly signed and statistically significant. Thus E seems to be an important independent variable, as do the FDIP proxies. Using $\bar{R}^2$ as the criterion, the model fits less well for the manufacturing sector than for the aggregate of all industries.

Not only does the model provide a better fit for the extractive sector, but, in addition, equation 3–3.1 has much more explanatory power (again using $\bar{R}^2$ as the criterion) than did 3–2.1 for manufacturing. In other words, although SA, WT, E, and UP are all found to be statistically significant in subsequent equations, and with signs identical to those found in the manufacturing equations, the $\bar{R}^2$ obtained in 3–3.1 leaves little room for improvement. In no equation in Table 3–3 is R_{t-1} both correctly signed and statistically significant. All things considered, equation 3–3.4 would probably be considered an optimum statement of the determinants of direct investment in extractive industries. Not only are the coefficients of ΔR and DI_{t-1} similar in size, sign and significance in equations 3–3.1 and 3–3.4, but the coefficients of SA, WT, and E are all significant in 3–3.4, and with signs similar to those found in the manufacturing equations. When UP is introduced in equation 3–3.5, the significance of the DI_{t-1} variable is lost.

In summary, the general impression one gets from Tables 3–1 to 3–3 is that, although the flexible accelerator model performs adequately in explaining the determinants of annual direct investment flows, the addition of other, usually specifically international, variables either provides added detail (as in the case of the extractive industries) or substantially improves the model's fit (as in the case of manufacturing and aggregate equations).[9] The Program proxies, use of proceeds (UP) and specific authorizations (SA), and the proxy for the AFNs' internal cash flow (E) performed as expected in a statistically significant manner. The coefficient of the foreign withholding taxes (WT) variable was consistently significant. A judgment of the correctness of that coefficient's sign was postponed until direct investment was disaggregated into capital transfers and reinvested earnings.

Tables 3–4 and 3–6 present estimates of the determinants of capital transfers of all, manufacturing, and extractive DIs respectively. The model used is the same as for aggregate direct

[8] The variables WT and E are proxies for foreign tax pressures and cash flow influences on direct investment determination. It is possible that their specification introduces statistical problems. It was indicated earlier that multicollinearity is generally not a problem. However, it should be noted that in manufacturing, the simple correlation coefficient between earnings and foreign withholding taxes was .88, and between E and re-invested earnings .92 in 1971. In the extractive industries the E-capital transfers simple correlation coefficient was .97. As is pointed out below, the coefficients of E and WT seem to be affected by these relationships in the manufacturing industries. No other coefficient seems to be affected. The extractive industry relationship does not seem to affect the results as can be seen in Table 3–6. Aside from these instances, WT and E do not seem to interfere with the equations performances.

[9] The use of cross section data often provides results somewhat different than those based on time series data. For a survey of domestic studies, see: Jorgenson (1971).

TABLE 3–4

Regression Results for Capital Transfers of All Industries (CT_a) in Schedule A, B, and C Countries, 440 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
4.1	−2.0141	+.0152 (5.84)**	+.0039 (0.52)	+.0842 (22.61)**	—	—	—	—	.836	18.50
4.2	−2.2255	+.0137 (5.44)**	+.0046 (0.64)	+.0838 (23.33)**	+.6421 (5.79)**	—	—	—	.847	17.90
4.3	−2.1046	+.0190 (7.35)**	−.0017 (0.24)	+.0849 (24.52)**	+1.0284 (8.23)**	−2.2989 (5.95)**	—	—	.858	17.20
4.4	−2.0454	+.0210 (8.25)**	−.0098 (1.40)	+.0668 (13.75)**	+.7401 (5.53)**	−3.7651 (7.99)**	+.2651 (5.15)**	—	.866	16.70
4.5	−2.5128	+.0166 (7.17)**	−.0066 (1.66)	+.0354 (6.71)**	+.2385 (1.86)	−.3463 (8.21)**	+.1865 (4.00)**	+.8328 (10.52)**	.893	14.90

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–5

Regression Results for Capital Transfers of Manufacturing Industries (CT_m) in Schedule A, B, and C Countries, 296 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
5.1	−1.4499	+.0108 (3.54)**	+.0732 (4.50)**	+.0586 (7.70)**	—	—	—	—	.653	13.80
5.2	−.4024	+.0166 (6.07)**	+.0221 (1.45)	+.0350 (4.93)**	+.8861 (9.47)**	—	—	—	.734	12.10
5.3	−1.0397	+.0180 (6.65)**	+.0210 (1.40)	+.0534 (6.21)**	+1.0000 (10.32)**	−1.5096 (3.63)**	—	—	.745	11.80
5.4	−.4877	+.0136 (4.85)**	+.0260 (1.78)	+.0647 (7.39)**	+1.2419 (11.33)**	+.0422 (0.08)	−.2131 (4.31)**	—	.759	11.50
5.5	−.7255	+.0073 (3.13)**	+.0159 (1.34)	+.0443 (6.05)**	+.8730 (9.27)**	+.1673 (0.38)	−.2994 (7.33)**	+.7754 (12.19)**	.841	9.36

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–6

Regression Results for Capital Transfers of Extractive Industries (CT_e) in Schedule A, B, and C Countries, 55 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
6.1	+3.2735	+.1019 (12.68)**	−.1325 (6.24)**	+.0065 (0.92)	—	—	—	—	.977	17.30
6.2	+1.5316	+.0975 (13.59)**	−.1234 (6.54)**	+.0099 (1.57)	+2.2798 (3.93)**	—	—	—	.982	15.20
6.3	+1.5203	+.0960 (13.80)**	−.1032 (5.06)**	+.0099 (1.63)	+2.2389 (4.00)**	−1.9512 (2.20)*	—	—	.983	14.70
6.4	+2.4313	+.0656 (6.61)**	−.1004 (5.59)**	−.0035 (0.55)	+2.0685 (4.18)**	−4.4152 (4.39)**	+.7270 (3.90)**	—	.987	12.90
6.5	+.8158	+.0658 (7.97)**	−.1321 (8.06)**	−.0366 (4.17)**	+1.4677 (3.41)**	−2.4044 (2.56)*	+.7135 (4.60)**	+.7754 (4.73)**	.991	10.80

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

investment. In general, the capital transfer equations parallel those of aggregate direct investment. The model fits better for extractive industries than for manufacturing. However, model (2) as found in manufacturing equations 3–2.5 and 3–5.5 fits less well for capital transfers than for aggregate investment, primarily because of shifts in the performance of ΔR, WT, and E.

Focusing first on the determinants of capital transfers in all industries, one finds that, regardless of the model specification, the coefficients of R_{t-1} and DI_{t-1} are always significant. In no case is ΔR significant. Use of proceeds have also been important in permitting capital transfers. The SA coefficient is significant only at the ten percent level when UP is included. Comparing equation 3–4.5 with 3–1.5, 82.2% of UP's impact and 41.9% of SA's impact was in permitting capital transfers to exceed those which would have been permitted had the FDIP been administered without flexibility. WT and E are also statistically significant.

For manufacturing DIs' capital transfers to AFNs (Table 3–5), ΔR is statistically significant only in equation 3–5.1. The sign of E's coefficient is negative and the introduction of the variable unexpectedly increased the size of the DI_{t-1} coefficient in equation 3–5.4. Further, E's introduction reversed the sign of WT and eliminated the significance of that variable's coefficient. Considering the simple correlation coefficient of .88 between E and WT, it is likely that these are spurious results.

As was the case with aggregate direct investment, the model fits best for the extractive industries. Model (1) (Equation 3–6.1) fits so well that there is little room for increasing the $\bar{R}^2$ by introducing additional variables. Despite the good fit of equation 3–6.1, the negative sign on ΔR's coefficient was not expected, and the coefficient of DI_{t-1} is not significant. The pattern of these two unexpected results is stable throughout the set of equations. Further SA, WT, E, and UP are statistically significant as they appear in subsequent equations. And the pattern of the signs of these variables' coefficients is consistent with the signs previously observed.

Considering the very high $\bar{R}^2$ and the general stability of the results of the estimates in the set of equations, it is prudent to explore the meaning of the negative sign of ΔR either to confirm that the ΔR evidence should be ignored, or to find evidence supporting theoretical modification. For the extractive industry equations, ΔR might be taken as representing financial rather than real phenomena. That is, instead of expressing a relationship in which the capital transfer is a function of changes in the size of market in which the investment's output is to be sold, a purely financial situation may account for the negative relationship. For example, in 1971 a large proportion of earnings in extractive industries were repatriated as dividends. Thus, new investment had to be financed almost entirely by either capital transfers or foreign borrowing. In such a situation, the financial connection between CT and R through RE could be inverse. If so, ΔR could have a negative sign.

The reinvested earnings equations presented in Tables 3–7 to 3–9 also yield unexpected results. Beginning with the equations for all industries (Table 3–7), one immediately finds that model (1) does not fit very well. Comparing equations 3–7.1 and 3–7.5, the importance of WT, E, and the Program proxies can be seen in the increased size of the $\bar{R}^2$. E, SA, and UP have the expected signs, but WT has a positive sign rather than the usual negative one.

Table 3–7 is a summation of two sub-samples. The largest of these sub-samples is manufacturing (Table 3–8). There one gets a clear idea of the improvement in model specification resulting from the addition of variables. In equation 3–8.5, the improvement in $\bar{R}^2$ gives substantial emphasis to the desirability of including E in the equation. This, plus the unusually large diminution in size and significance of the DI_{t-1} coefficient, suggests that E should be given a more prominent place in the model. The sign on the WT coefficient may be spurious considering the simple E–WT correlation coefficient of .88. The expected E–RE_m relationship seems to exist. In this case the simple correlation coefficient is .92. Another way of making the same point is to estimate a dividend-type model for the determinants of RE in manufacturing. Equation 3–8.5 suggests that such an alternative might be quite productive.

The estimates for the extractive industries found in Table 3–9 present almost the opposite conclusion. Here one sees that equation 3–9.1 provides as good a fit as the other four alternatives. Additional variables do not alter the size, signs or significance of R_{t-1}, ΔR, and DI_{t-1}. One would suspect that an alternative formulation of a model along dividend-type lines would be of no use.

To shed further light on the determinants of RE, estimates can be made using a dividend-type model which can be specified for dividends as:

$$(3)\quad D = A_0 + A_1 E + A_2 E/DI + A_3 D_{t-1} + A_4 WT$$

and for reinvested earnings as:

$$(4)\quad RE = A_0 + A_1 E + A_2 E/DI, + A_3 RE_{t-1} + A_4 WT + A_5 CT$$

TABLE 3–7

Regression Results for Reinvested Earnings of All Industries (RE_a) in Schedule A, B, and C Countries, 440 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
7.1	+3.4583	−.0065 (2.61)**	+.0235 (3.27)**	+.0104 (2.92)**	—	—	—	—	.041	17.80
7.2	+3.0394	−.0095 (4.52)**	+.0249 (4.16)**	+.0097 (3.26)**	+1.2724 (13.80)**	—	—	—	.332	14.90
7.3	+2.8931	−.0159 (7.75)**	+.0326 (5.85)**	+.0084 (3.06)**	+.8051 (8.13)**	+2.7813 (9.08)**	—	—	.437	13.60
7.4	+2.9684	−.0134 (6.99)**	+.0223 (4.22)**	−.0146 (3.98)**	+.4387 (4.36)**	+.9181 (2.59)**	+.3369 (8.69)**	—	.520	12.60
7.5	+2.8674	−.0143 (7.41)**	+.0330 (4.38)**	−.0214 (4.84)**	+.3303 (3.07)**	+.9834 (2.78)**	+.3199 (8.20)**	+.1800 (2.72)**	.526	12.50

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–8

Regression Results for Reinvested Earnings of Manufacturing Industries (RE_m) in Schedule A, B, and C Countries, 296 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
8.1	+.2886	−.0213 (7.51)**	+.0817 (5.39)**	+.0841 (11.89)**	—	—	—	—	.431	12.90
8.2	+1.5319	−.0143 (6.27)**	+.0211 (1.65)	+.0562 (9.46)**	+1.0280 (13.43)**	—	—	—	.647	10.10
8.3	+2.1661	−.0157 (7.01)**	+.0222 (1.79)	+.0380 (5.33)**	+.8948 (11.14)**	+1.5023 (4.36)**	—	—	.668	9.82
8.4	+.3881	−.0018 (2.47)*	+.0061 (1.66)	+.0014 (0.64)	+.1155 (4.15)**	−3.4967 (25.46)**	+.6863 (54.68)**	—	.971	2.92
8.5	+.3584	−.0026 (3.63)**	+.0049 (1.37)	−.0011 (0.51)	+.0694 (2.46)*	−3.4810 (26.41)**	+.6756 (55.24)**	+.0969 (5.09)**	.973	2.80

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–9

Regression Results for Reinvested Earnings of Extractive Industries (REe) in Schedule A, B, and C Countries, 55 firms (1971 = t)

No.	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
9.1	+2.2725	−.0923 (22.35)**	+.2505 (22.96)**	+.0561 (15.41)**	—	—	—	—	.911	8.87
9.2	+2.4053	−.0920 (21.85)**	+.2498 (22.56)**	+.0558 (15.08)**	−.1738 (0.51)	—	—	—	.910	8.94
9.3	+2.4006	−.0926 (22.17)**	+.2581 (21.07)**	+.0558 (15.27)**	−.1907 (0.57)	−.8065 (1.51)	—	—	.912	8.83
9.4	+2.4520	−.0943 (13.81)**	+.2583 (20.87)**	+.0551 (12.56)**	−.2003 (0.59)	−.9454 (1.37)	+.0410 (0.32)	—	.910	8.91
9.5	+2.1947	−.0943 (13.78)**	+.2533 (18.64)**	+.0498 (6.84)**	−.2960 (0.83)	−.6252 (0.80)	+.0388 (0.30)	+.1235 (0.91)	.910	8.92

The numbers in parentheses are t-statisics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

A priori one expects D and RE to be positively related to both A_1 and A_3. That is, following John Lintner's work with domestic dividend data, dividends are postulated to be a function of current earnings and past dividends. Given the E–RE relationship, the same logic also holds for RE. A_2 should be positively related to RE and negatively related to D. If withholding taxes on dividends discourage the payment of dividends, a negative relationship should exist between D and WT and a positive one between RE and WT. If WT has no discouraging influence on D, the pattern of signs which would be expected would be reversed. In the RE (model 4) estimates (Tables 3–11 and 3–12), capital transfers are introduced as an independent variable to test whether RE and CT are substitutes. If so, a negative sign would be anticipated; if not a positive one.

Turning to the dividend equations in Table 3–10, one finds that regardless of the specific data set, the signs of the coefficients of E, E/DI, and D_{t-1} are as expected. In no case is the E/DI coefficient significantly different from zero. The coefficients of E and D_{t-1} are in every case significant at the one percent level. Thus, current earnings and the dividends paid last year are, as expected, significant determinants of AFN dividends.

The findings on withholding taxes are mixed. For the manufacturing sector (where the model fits best judging by the R^2), withholding taxes do not seem to deter dividend payments. Therefore D and WT are positively related. In contrast, withholding taxes do seem to deter the payment of dividends in the extractive sector. However, one must be cautious about accepting this result. The negative sign could result from extractive investment being predominantly in countries which do not levy a withholding tax on dividends. The coefficients for both industries are statistically significant.

Turning to similar models for reinvested earnings, one finds that model (4) did not explain the determinants of reinvested earnings in extractive industries. Model (2) (equation results reported in Table 3–9) would seem to be the proper model for estimating the determinants of reinvested earnings in this sector.

In contrast, model (4) explains determinants of AFN reinvestment in manufacturing better than model (2). In no case is the coefficient of E/DI statistically significant, although it carries the correct sign. In all equations in Table 3–12, E and RE_{t-1} are correctly signed and statistically significant. WT has the anticipated sign (given the findings in equation 3–10.4) and is significant at the one percent level. The coefficient of CT in equation 3–12.3 is small and not statistically significant. No basic change in the model's estimates derived from including CT.

Model (4) estimates for all AFNs are presented in Table 3–11. The model does not fit well, reflecting its inappropriateness for extractive industries.

In summary, the flexible accelerator model [model (1)] performed adequately in identifying the determinants of direct investment in 1971. However, the model fit was improved by introducing variables identifying the role of the OFDI Program (UP and SA), the effect on reinvested earnings of foreign withholding of taxes on AFN dividends (WT), and a specific proxy for internal cash flow (E). [Model (1) plus these variables was identified as Model (2).] All four of the additional variables were found to be statistically significant. UP and SA have been important in not impeding direct investment and E likewise has the expected positive effect. Foreign withholding taxes were found to be inversely related to direct investment flows.

Model (1) proved effective in explaining the determinants of RE in the extractive industries. Although not statistically significant, WT was found to have a negative sign within the framework of Model (2). Both Models (1) and (2) fit well for the capital transfer equations. Generally WT had a negative sign and was significant. ΔR was found not to be statistically significant in any version of Model (2) for capital transfers in the manufacturing industries. And DI_{t-1} was never significant in determining CTs in the extractive industries.

Determinants of reinvested earnings in the manufacturing sector were explained well by Model (4). In summary, Models (1) and (2) provide good fits of 1971 data for aggregate investment, capital transfers and reinvested earnings in extractive industries. Model (4) provided a good fit for RE in manufacturing. Synthesizing these findings, aggregate investment in all industries is attracted by the size of the recipient country's market (R_{t-1}) and the growth of that market (ΔR), AFNs' internal cash flows (E), and the replacement of the DI stock (DI_{t-1}). Foreign withholding taxes on dividends do not seem to discourage dividend payment in manufacturing industries.

The OFDI data permit an evaluation of the stability of these cross section estimates over the period 1968–71. Table 3–13 reproduces the equivalent of equation 5 as found in the regression results above for aggregate direct investment for these years.

The 1971 relationships seem also to have existed in 1970. However, for 1968 and 1969 when the OFDI program was much more restrictive, one can observe that the sign of the coefficient for ΔR is the reverse of that which is both expected and found in later years. The coefficient of WT exhibits similar changes. The

TABLE 3–10

Regression Results for Dividends, Schedule A, B, and C Countries (1971 = t)

Equation Number	Dependent Variable	Constant Term	E	E/DI	D_{t-1}	WT	$\bar{R}^2$	See
			All Industries, 440 firms					
10.1	Da	−1.3901	+.3943 (14.43)**	−.2254 (0.35)	+.7818 (16.40)**	—	.896	12.00
10.2	Da	−1.2206	+.4877 (16.21)**	−.2146 (0.35)	+.7839 (17.16)**	−1.7563 (6.31)**	.904	11.50
			Manufacturing Industries, 296 firms					
10.3	Dm	−.9422	+.3111 (21.96)**	−1.7435 (1.47)	+.6789 (21.23)**	—	.964	4.21
10.4	Dm	−.2910	+.2576 (25.44)**	−.8072 (0.99)	+.1934 (5.62)**	+3.0040 (18.25)**	.983	2.88
			Extractive Industries, 55 firms					
10.5	De	−1.5797	+.7561 (7.39)**	−18.9324 (0.41)	+.4268 (2.94)**	—	.919	25.70
10.6	De	−1.9340	+.8730 (7.85)**	−11.6007 (0.26)	+.3779 (2.68)**	−3.1577 (2.26)*	.925	24.70

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–11

Regression Results for Reinvested Earnings from All Industries (REa) In Schedule A, B, and C Countries, 440 firms, Model (4) (1971 = t)

Equation Number	Dependent Variable	Constant Term	E	E/DI	RE_{t-1}	WT	CT	$\bar{R}^2$	See
11.1	REa	+1.1312	+.0773 (2.91)**	+.3026 (0.38)	+.4559 (6.69)**	—	—	.326	14.90
11.2	REa	+1.0761	+.0370 (1.23)	+.2950 (0.37)	+.4025 (5.73)**	+1.0512 (2.81)**	—	.337	14.80
11.3	REa	+1.9504	+.5355 (14.58)**	−.0870 (0.14)	+.1220 (2.17)*	−.6892 (2.27)*	−.3810 (17.42)**	.609	11.40

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–12

Regression Results for Reinvested Earnings of Manufacturing Industries (REm) In Schedule A, B, and C Countries, 296 firms, Model (4) (1971 = t)

Equation Number	Dependent Variable	Constant Term	E	E/DI	RE_{t-1}	WT	CT	$\bar{R}^2$	See
12.1	REm	+.2514	+.3459 (10.31)**	+.1545 (0.82)	+.1751 (2.47)*	—	—	.848	6.65
12.2	REm	+.2353	+.6270 (39.24)**	+.2109 (0.27)	+.2237 (7.52)**	−3.7489 (37.04)**	—	.973	2.79
12.3	REm	+.1992	+.6242 (38.54)**	+.2676 (0.34)	+.2292 (7.58)**	−3.7920 (34.62)**	+.0097 (1.03)	.973	2.78

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–13

Regression Results for Aggregate U.S. Direct Foreign Investment (Ia) In Schedule A, B, and C Countries, 440 firms, 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	+.3545	+.0022	+.0164	+.0140	+.5689	−2.4795	+.5065	+1.0128	.954	10.70
		(1.35)	(3.65)**	(3.72)**	(6.18)**	(8.21)**	(15.20)**	(17.89)**		
1970	+.0671	−.0021	+.0201	+.0320	+.6682	−1.6685	+.3045	+1.2233	.943	10.40
		(1.54)	(6.43)**	(7.43)**	(7.33)**	(4.59)**	(6.70)**	(24.49)**		
1969	+.0031	−.0017	−.0034	+.0267	+.1457	−.3383	+.1967	+1.0469	.917	8.21
		(1.74)	(0.77)	(9.40)**	(1.26)	(0.64)	(5.66)**	(38.41)**		
1968	−.2624	−.0009	−.0445	+.0110	+1.2336	+.7351	+.1511	+1.0648	.909	9.42
		(0.81)	(4.41)**	(2.31)*	(15.21)**	(1.33)	(2.47)*	(29.67)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–14

Regression Results for Manufacturing Direct Foreign Investment (Im) In Schedule A, B, and C Countries, 296 firms, 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	−.3670	+.0048	+.0208	+.0432	+.9425	−3.3136	+.3761	+.8723	.938	8.59
		(2.23)*	(1.91)	(6.43)**	(10.91)**	(8.20)**	(10.04)**	(14.95)**		
1970	+.6801	−.0051	+.0097	+.0270	+.8398	−2.0278	+.3430	+1.0607	.920	7.62
		(3.04)**	(3.19)**	(4.29)**	(11.05)**	(4.76)**	(7.10)**	(20.45)**		
1969	+.6083	−.0025	+.0077	−.0058	−.0177	−.5882	+.3532	+1.1268	.870	8.07
		(0.94)	(0.53)	(0.69)	(0.15)	(0.93)	(7.68)**	(29.90)**		
1968	−.4103	+.00005	−.0219	+.0031	+1.2887	−.8988	+.3303	+.9616	.816	8.08
		(0.02)	(1.18)	(0.33)	(10.35)**	(1.38)	(4.62)**	(24.04)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–15

Regression Results for Extractive U.S. Direct Foreign Investment (Ie) In Schedule A, B, and C Countries, 55 firms, 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	+3.0105	−.0286	+.1212	+.0133	+1.1719	−3.0306	+.7524	+.8988	.993	9.26
		(4.02)**	(8.60)**	(1.76)	(3.16)**	(3.75)**	(5.64)**	(6.37)**		
1970	+.2962	+.0020	+.0532	+.0125	+2.2544	−.2734	+.2875	+1.3574	.992	9.08
		(0.23)	(3.55)**	(1.16)	(3.30)**	(0.18)	(1.73)	(11.39)**		
1969	−1.0137	+.0063	+.2283	+.0230	+2.3380	−.1126	−.5024	+1.1456	.992	5.34
		(2.02)*	(5.91)**	(3.38)**	(3.51)**	(0.02)	(3.96)**	(19.66)**		
1968	−.2946	−.0029	−.0955	+.0682	+.5866	−.0024	+.3680	+.8949	.995	4.69
		(0.54)	(4.10)**	(7.31)**	(3.72)**	(3.49)**	(2.40)*	(17.68)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

size of the coefficient of SA in 1968 also manifests the restrictiveness of the Program, although the similar coefficient for 1969 is unexplainably low. Further, one suspects that the increase in the size of the consistently significant coefficient of E may reflect the liberalization of the OFDI Program.

This last observation does not seem to apply to manufacturing direct investment, the equations for which are portrayed in Table 3–14. Otherwise the effect of the Program is striking. In 1968 and 1969 only the coefficients of Program proxies, SA and UP, plus E are statistically significant. The manufacturing industry evidence also suggests that the surprising 1969 SA coefficient for aggregate investment is dependent upon the situation in the manufacturing sector. The 1970 and 1971 equations show relationships which are in keeping with theoretical expectations, given FDIP liberalization.

In contrast, the equations for direct investment in the extractive industries (found in Table 3–15) demonstrate rather consistent relationships during both more restrictive and more liberal Program years. Only the sign of

the coefficient of ΔR in 1968 and the increase in the size of the WT coefficient over the 1968–71 period suggest fundamental changes.

The capital transfer equations found in Tables 3–16, 3–17 and 3–18 and the reinvested earnings (model 2) equations in Tables 3–19, 3–20 and 3–21 again manifest what seem to have been Program effects. As a general pattern the coefficients of the independent variables are more likely to be statistically significant in the 1970 and 1971 equations than in the two earlier years when the FDIP was more restrictive. Also the signs of the coefficients, on occasion, differ between the 1968 and 1969 equations and those for 1970 and 1971. While there are some changes which do not seem explicable by the variations of the FDIP, the general pattern seems to indicate that the Office was relatively successful in its effort to liberalize the Program.

From a different perspective, model 4 equations for reinvested earnings in manufacturing corroborate these impressions. As Table 3–22 indicates, reinvested earnings were more strongly influenced by current earnings in 1968 than in other years. At the same time, RE_{t-1} has the wrong sign and is not statistically significant in that year. The latter is the reverse of the findings for all other years. These results are not suprising when one recognizes that in 1968 FDIP allowables could be used in schedule

TABLE 3–16

Regression Results for Capital Transfers of All Industries (CTa) In Schedule A, B, and C Countries, 440 firms, 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	−2.5128	+.0166	−.0066	+.0354	+.2385	−3.4628	+.1855	+.8328	.893	14.90
		(7.17)**	(1.06)	(6.71)**	(1.86)	(8.21)**	(4.00)**	(10.52)**		
1970	−1.1243	+.0031	+.0092	+.0547	+.6465	−1.5871	−.2947	+1.1856	.872	13.10
		(1.83)	(2.34)*	(10.10)**	(5.63)**	(3.47)**	(5.15)**	(18.86)**		
1969	−1.1318	+.0006	−.0021	+.0662	−.0436	+.2863	−.3944	+.8399	.861	10.80
		(0.45)	(0.35)	(17.71)**	(0.29)	(0.41)	(8.62)**	(23.40)**		
1968	−.9097	+.0003	−.0031	+.0352	+1.4944	+2.8912	−.6918	+1.0159	.919	8.72
		(0.25)	(0.33)	(7.96)**	(19.89)**	(5.66)**	(12.20)**	(30.57)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–17

Regression Results for Capital Transfers of Manufacturing Industries (CTm) In Schedule A, B, and C Countries, 296 firms, 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	−.7255	+.0073	+.0159	+.0443	+.8730	+.1673	−.2994	+.7754	.841	9.36
		(3.13)**	(1.34)	(6.05)**	(9.27)**	(0.38)	(7.33)**	(12.19)**		
1970	+.6962	−.0004	+.0140	+.0391	+.7971	−1.5571	−.2653	+.9308	.732	8.04
		(0.25)	(4.35)**	(5.90)**	(9.94)**	(3.46)**	(5.21)**	(17.00)**		
1969	+.5583	−.0014	+.0066	−.0042	−.1596	+.7757	−.1389	+1.0264	.749	8.07
		(0.52)	(0.45)	(0.49)	(1.35)	(1.23)	(3.02)**	(27.25)**		
1968	−.1134	+.0054	−.0218	−.0019	+1.2129	+3.0783	−.5062	+.9574	.716	8.32
		(1.56)	(1.14)	(0.21)	(9.46)**	(4.59)**	(6.87)**	(23.24)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–18

Regression Results for Capital Transfers of Extractive Industries (CTe) In Schedule A, B, and C Countries, 55 firms, 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	+.8158	+.0658	−.1321	−.0366	+1.4677	−2.4044	+.7135	+.7754	.991	10.80
		(7.97)**	(8.06)**	(4.17)**	(3.41)**	(2.56)*	(4.60)**	(4.73)**		
1970	−.1152	+.0240	−.0499	−.0494	+2.3944	+8.4993	−.1888	+1.9198	.982	12.40
		(2.03)*	(2.45)*	(3.37)**	(2.58)*	(4.00)**	(0.84)	(11.84)**		
1969	−4.5542	+.0098	+.2603	+.0693	+2.0695	+22.5791	−1.6819	+.6399	.949	15.70
		(1.06)	(2.29)*	(3.47)**	(1.06)	(1.66)	(4.51)**	(3.74)**		
1968	−1.2208	−.0045	−.0461	+.0727	+1.3164	−26.5442	−.1448	+.8827	.996	4.60
		(0.84)	(2.02)*	(7.95)**	(8.53)**	(3.99)**	(0.97)	(17.80)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–19

Regression Results for Reinvested Earnings of All Industries (REa) In Schedule A, B, and C Countries, 440 firms (Model 2), 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	+2.8674	−.0143	+.0230	−.0214	+.3303	+.9834	+.3199	+.1800	.526	12.50
		(7.41)**	(4.38)**	(4.84)**	(3.07)**	(2.78)**	(8.20)**	(2.72)**		
1970	+1.1910	−.0052	+.0109	−.0227	+.0218	−.0814	+.5992	+.0377	.790	7.69
		(5.19)**	(4.71)**	(7.13)**	(0.32)	(0.30)	(17.79)**	(1.02)		
1969	+1.1345	−.0023	−.0014	−.0395	+.1893	−.6243	+.5910	+.2070	.560	9.63
		(1.98)*	(0.26)	(11.87)**	(1.39)	(1.01)	(14.50)**	(6.48)**		
1968	+.6469	−.0012	−.0414	−.0242	−.2609	−2.1567	+.8430	+.0489	.750	5.01
		(1.96)*	(7.71)**	(9.51)**	(6.04)**	(7.35)**	(25.85)**	(2.56)*		

The numbers in parentheses are t-statisics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–20

Regression Results for Reinvested Earnings of Manufacturing Industries (REm) In Schedule A, B, and C Countries, 296 firms (Model 2), 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	+.3584	−.0026	+.0049	−.0011	+.0694	−3.4810	+.6756	+.0969	.973	2.80
		(3.63)**	(1.37)	(0.51)	(2.46)*	(26.41)**	(55.24)**	(5.09)**		
1970	−.0162	−.0047	−.0043	−.0121	+.0428	−.4706	+.6083	+.1299	.954	3.72
		(5.69)**	(2.88)**	(3.96)**	(1.16)	(2.26)*	(25.82)**	(5.14)**		
1969	+.0499	−.0011	+.0011	−.0016	+.1419	−1.3634	+.4921	+.1004	.713	7.80
		(0.44)	(0.08)	(0.20)	(1.24)	(2.24)*	(11.07)**	(2.76)**		
1968	−.2976	−.0053	−.0001	+.0050	−.0758	−3.9775	+.8366	+.0042	.951	2.44
		(5.28)**	(0.02)	(1.81)	(2.02)*	(20.23)**	(38.78)**	(0.35)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–21

Regression Results for Reinvested Earnings of Extractive Industries (REe) In Schedule A, B, and C Countries, 55 firms (Model 2), 1968–71

Base Year	Constant Term	R_{t-1}	ΔR	DI_{t-1}	SA	WT	E	UP	$\bar{R}^2$	See
1971	+2.1947	−.0943	+.2533	+.0498	−.2960	−.6252	+.0388	+.1235	.910	8.92
		(13.78)**	(18.64)**	(6.84)**	(0.83)	(0.80)	(0.30)	(0.91)		
1970	+.4109	−.0220	+.1031	+.0619	−.1399	−8.7720	+.4763	−.5625	.938	5.81
		(3.96)**	(10.75)**	(8.97)**	(0.32)	(8.78)**	(4.49)**	(7.38)**		
1969	+3.5393	−.0035	−.0320	−.0463	+.2685	−22.6954	+1.1794	+.5056	.652	13.10
		(0.45)	(0.34)	(2.77)**	(0.16)	(1.99)	(3.78)**	(3.53)**		
1968	+.9258	+.0015	−.0494	−.0045	−.7299	+2.8478	+.5130	+.0121	.958	2.22
		(0.60)	(4.49)**	(1.01)	(9.81)**	(0.89)	(7.10)**	(0.51)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–22

Regression Results for Reinvested Earning of Manufacturing Industries (REm) In Schedule A, B, and C Countries, 296 firms (Model 4), 1967–71

Base Year	Constant Term	E	E/DI	RE_{t-1}	WT	CT	$\bar{R}^2$	See
1971	+.1992	+.6242	+.2672	+.2292	−3.7920	+.0097	.973	2.78
		(38.54)**	(0.34)	(7.58)**	(34.62)**	(1.03)		
1970	−.3347	+.7085	−2.4325	−.1104	−1.6708	−.2085	.932	4.52
		(27.99)**	(1.64)	(3.42)**	(7.25)**	(1.10)		
1969	+.4360	+.1964	−.0100	+.5878	+.8652	−.0701	.729	7.58
		(2.90)**	(0.03)	(5.00)**	(1.31)	(2.44)*		
1968	−.3853	+.8709	+.0111	−.0239	−.4569	−.0145	.943	2.63
		(43.14)**	(0.29)	(0.81)	(23.81)**	(1.48)		
1967	−.4285	+.6973	+.1913	+.0660	−3.1312	−.0135	.838	3.29
		(26.48)**	(0.43)	(1.63)	(11.25)**	(0.96)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

C countries only to permit reinvested earnings. Capital transfers had to be offset 100% by use of proceeds. In such circumstances one would expect the relationship between reinvested earnings and earnings to be stronger than usual.[10]

Finally, the dividend equations found in Tables 3–23, 3–24 and 3–25 lend additional support to the above conclusions. For aggregate dividends, the D–E relationship, although not statistically significant, was actually negative in 1968. Not only is this finding in keeping with what would be an expected result of the FDIP but the pattern of E coefficients likewise fits these expectations. That is, the Program has aimed at encouraging the repatriation of earnings to the U.S. and the increase in the size of the E coefficient over the 1968–71 period suggests that this goal is being accomplished.[11] Assuming the D–E relationship has the suggested Program-intensity implications, these estimates also suggest that for manufacturing industries the last year of the voluntary controls program (1967) had an effect similar to that of the first year of the mandatory program.

Uses of Funds by Source, 1967–71

In general, the equations presented in this section purport to identify the relationship between sources of funds and the uses to which the funds are put. Two fundamental sources are identified—direct investment and borrowed funds or total liabilities. In addition, liabilities are disaggregated into short- and long-term liabilities, and each of these in turn is divided into interest-bearing and non-interest-bearing liabilities. Considering the extensiveness of the estimates presented here, as in the earlier section of this chapter, every aspect of the relationships cannot be explored. The aim here is to identify selected patterns of relationships which seem important and serve as examples of how the results can be used. Otherwise the data are presented so that individuals interested in other specific relationships can observe them among the results. About the only preconception which exists is that short-term liabilities should be relatively closely related to short-term assets and long-term liabilities to fixed assets and long-term receivables.

[10] The reader will note by comparing Tables 3–13, 3–16, and 3–19 that both specific authorizations (SA) and the use of proceeds identified by UP were used almost exclusively to permit capital transfers in 1968.

[11] If one calculates what has traditionally been identified as the payout ratio, they would reach the same conclusion. The payout ratio was small or negative (unexpected theoretically) through 1969 (except for manufacturing in 1969). Subsequently the ratios have been positive and in some years larger than theoretically predicted.

Examining first the uses to which direct investment is put, we can generally observe the expected positive and statistically significant relationship between increments in direct investment and increments in fixed assets, short-term assets, other assets, and long-term receivables (Tables 3–26, 3–27, and 3–28). For the lagged specifications of these various assets the sign may be positive or negative depending on the relative importance of various influences. If the source of funds is being used in an important way to finance the replacement of the stock of a given type of asset, the sign should be positive. If not, a negative sign would probably prevail. For all industries a positive sign on these lagged variables is generally found, with statistical significance of the coefficients (regardless of sign) less frequent. For all equations, the $\bar{R}^2$ is high for cross section estimates. The $\bar{R}^2$ for the extractive industries is especially high.

The relationships between fixed and short-term asset variables and total liabilities for all industries (Table 3–29) are stable as to sign and consistently significant over the 1967–71 period. For other assets and long-term receivables, the relationships as to sign and as to statistical significance are varied. Disaggregating into estimates for manufacturing and extractive industries (Tables 3–30 and 3–31), one finds that the stability of signs observed for all industries no longer holds. In all instances the $\bar{R}^2$s are high.

Table 3–32, contains estimates for all industries of the uses to which short-term liabilities are put. The relationship of these liabilities to both fixed and short-term asset variables show a consistent pattern of signs, and in most instances the coefficients are statistically significant at the one per cent level. Suprisingly, the size of the ΔFA coefficient, although smaller in all but one year, often resembled the ΔSTA coefficient in size. However, as would be expected, the STA_{t-1} coefficient was often considerably larger than the FA_{t-1} coefficient. As Tables 3–33 and 3–34 indicate, use of short-term liabilities to finance increments in fixed assets is importantly influenced by extractive industries' data. For manufacturing industries short-term assets take clear precedence as the use to which short-term liabilities are put. Although the statistical importance of such changes is not estimated, fixed assets seem to have been a relatively more important use of short-term liabilities in manufacturing during the last year of the voluntary program and the first year of the FDIP (when the Program was strictest).

In manufacturing there was an important increase in the use of short-term liabilities to finance fixed assets (and also other assets) in

TABLE 3–23

Regression Results for Dividends of All Industries (Da) In Schedule A, B, and C Countries, 440 firms, 1967–71

Base Year	Constant Term	E	E/DI	D_{t-1}	WT	$\bar{R}^2$	See
1971	−1.2206	+.4877	−.2146	+.7839	−1.7563	.904	11.50
		(16.21)**	(0.35)	(17.16)**	(6.31)**		
1970	−.1987	+.3393	−.5586	+.6099	−.9874	.929	6.58
		(14.62)**	(0.38)	(21.60)**	(4.97)**		
1969	−.2384	+.2722	−.0405	+1.0407	−2.2044	.921	6.64
		(10.45)**	(0.15)	(34.69)**	(5.54)**		
1968	−.0903	−.0171	+.0064	+1.2194	+.2214	.947	4.12
		(0.60)	(0.11)	(32.25)**	(1.07)		
1967	−.0739	+.0192	+.0273	+.7211	+.0318	.972	2.40
		(0.94)	(0.09)	(38.95)**	(20.60)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–24

Regression Results for Dividends of Manufacturing Industries (Dm) In Schedule A, B, and C Countries, 296 firms, 1967–71

Base Year	Constant Term	E	E/DI	D_{t-1}	WT	$\bar{R}^2$	See
1971	−.2910	+.2576	−.8072	+.1934	+3.0040	.983	2.88
		(25.44)**	(0.99)	(5.62)**	(18.25)**		
1970	+.6241	+.3282	+.8159	+.1202	+1.1429	.924	4.50
		(15.40)**	(0.56)	(3.68)**	(4.37)**		
1969	−.2956	+.3144	−.0237	+.9629	−2.2226	.833	7.05
		(9.20)**	(0.08)	(8.33)**	(3.43)**		
1968	+.4158	+.0687	−.0126	+.2171	+4.1933	.947	2.55
		(3.06)**	(0.43)	(4.48)**	(20.63)**		
1967	+.2243	−.0410	+.1475	+.5139	+4.2571	.966	1.80
		(2.20)*	(0.62)	(26.27)**	(29.68)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–25

Regression Results for Dividends of Extractive Industries (De) In Schedule A, B, and C Countries, 55 firms, 1967–71

Base Year	Constant Term	E	E/DI	D_{t-1}	WT	$\bar{R}^2$	See
1971	−1.9340	+.8730	−11.6007	+.3779	−3.1577	.925	24.70
		(7.85)**	(0.26)	(2.68)**	(2.26)*		
1970	−.1550	+.0383	−2.3382	+.9986	+1.4692	.998	2.41
		(2.31)**	(1.09)	(53.07)**	(10.03)**		
1969	+.1572	−.1064	+5.4359	+1.4721	−6.8380	.998	2.25
		(2.91)**	(1.66)	(49.60)**	(4.18)**		
1968	+.2230	+.1021	−21.5491	+1.4343	−10.0020	.998	2.03
		(1.83)	(4.81)**	(36.67)**	(4.75)**		
1967	+.3339	+.0294	+4.0388	.8429	+.0595	.996	2.02
		(0.52)	(1.36)	(15.83)**	(0.05)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–26

Uses of Increments in Direct Investment (Ia), Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.2573	+.3668	+.0759	+.4324	+.0031	−.3463	+.0962	+.1427	−.0484	.893	16.40
		(8.95)**	(5.55)**	(12.13)**	(0.29)	(2.59)**	(1.90)	(1.84)	(1.74)		
1970	+2.7221	+.3304	+.0536	+.0835	−.0104	+.3084	+.1523	+.1249	+.1147	.876	15.30
		(12.80)**	(4.30)**	(3.65)**	(1.10)	(4.32)**	(3.85)**	(2.88)**	(2.77)**		
1969	+.9106	+.1343	+.0042	+.3031	+.0185	+.2160	+.1622	+.5559	+.0097	.771	13.60
		(4.86)**	(0.43)	(10.60)**	(1.68)	(2.75)**	(4.35)**	(4.73)**	(0.26)		
1968	+.1623	+.4777	+.0287	+.4617	−.0539	+.3221	+.0674	−.3327	+.0570	.888	10.50
		(12.70)**	(3.71)**	(18.53)**	(6.11)**	(3.20)**	(2.49)*	(3.70)**	(1.77)		
1967	+.0343	−.0077	+.1145	+.0777	−.0359	+.2053	+.0135	+.3994	+.0775	.835	12.10
		(0.23)	(10.43)**	(3.74)**	(3.36)**	(2.96)**	(0.28)	(6.46)**	(1.39)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–27

Uses of Increments in Direct Investment (Im) Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.3496	+.1651	+.1170	+.1153	−.0046	+.5950	+.2980	+.2477	−.0264	.779	16.30
		(3.01)**	(6.29)**	(2.12)*	(0.34)	(2.79)**	(4.48)**	(1.92)	(0.62)		
1970	+2.8603	+.2936	+.0753	+.1295	−.0127	+.3734	+.1067	+.1014	−.3814	.728	14.00
		(9.49)**	(4.46)**	(3.67)**	(1.04)	(3.72)**	(1.76)	(2.22)*	(3.15)**		
1969	+.2236	+.1248	−.0051	+.2666	+.0054	+.1772	+.4834	+.4996	+.3021	.663	13.00
		(3.79)**	(0.35)	(6.36)**	(0.37)	(1.73)	(6.76)**	(2.76)**	(2.62)**		
1968	+.7636	+.3847	+.0361	+.4365	−.0483	+.0953	+.0563	+.6611	−.1655	.721	9.95
		(5.19)**	(3.52)**	(14.35)**	(4.10)**	(0.82)	(0.92)	(2.69)**	(1.77)		
1967	+3.1725	+.0767	+.1741	+.0249	−.1372	+.2372	+.8062	+.5742	+.3595	.662	10.80
		(1.96)	(13.99)**	(1.18)	(10.42)**	(3.18)**	(9.56)**	(4.68)**	(4.21)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–28

Uses of Increments in Direct Investment (Ie) Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+2.6343	+.3616	−.0057	+.6468	+.1168	−.1512	+.0138	−.1376	−.0651	.990	11.00
		(3.58)**	(0.17)	(3.87)**	(1.95)	(0.51)	(0.15)	(1.46)	(1.09)		
1970	+1.2818	+.2624	+.1141	−.0060	−.1561	+.9700	+.3894	+.3413	+.2757	.986	12.10
		(2.21)*	(2.78)**	(0.11)	(2.18)*	(4.62)**	(4.27)**	(1.63)	(2.81)**		
1969	−.7600	+.6171	+.0688	+.5836	+.0440	+.5488	+.0292	+.5084	−.7004	.983	7.60
		(5.23)**	(4.09)**	(8.16)**	(1.18)	(4.03)**	(0.91)	(3.41)**	(7.65)**		
1968	+.5973	+.4583	−.0018	+.2793	−.0490	+.6767	+.2467	−.4931	+.1933	.990	7.00
		(6.80)**	(0.07)	(2.56)*	(1.13)	(2.14)*	(3.23)**	(4.48)**	(2.99)**		
1967	+2.2698	−.0032	+.1442	−.2337	+.0028	+.1828	−.3053	+.5131	+.1138	.991	6.79
		(0.07)	(5.56)**	(2.31)*	(0.09)	(1.46)	(3.05)**	(5.66)**	(1.24)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–29

Uses of Increments in Total Liabilities (TLa) Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.1363	+.4472	−.0443	+.6260	+.0119	−.1104	+.2090	+.6054	−.0290	.846	14.50
		(12.34)**	(3.66)**	(19.87)**	(1.26)	(0.93)	(4.66)**	(8.81)**	(1.18)		
1970	−.2643	+.7809	−.0843	+.3048	+.0795	+.3781	+.0417	+.3022	+.0029	.883	17.80
		(24.77)**	(5.82)**	(11.47)**	(7.20)**	(4.55)**	(0.91)	(6.00)**	(0.06)		
1969	−1.3410	+.4254	−.0933	+.5317	+.1021	−.1463	+.4313	−.0109	−.2050	.808	15.30
		(13.69)**	(8.53)**	(16.54)**	(8.25)**	(1.65)	(10.29)**	(0.08)	(4.80)**		
1968	−.4650	+.7463	−.0366	+.3299	+.1064	−.3686	−.2409	+.7396	−.1159	.886	9.03
		(22.98)**	(5.46)**	(15.33)**	(13.95)**	(4.23)**	(10.30)**	(9.51)**	(4.17)**		
1967	−1.1357	+.4627	−.0682	+.4760	+.0174	+.4418	+.3399	−.1306	+.1277	.882	11.60
		(14.28)**	(6.49)**	(23.93)**	(1.70)	(6.65)**	(7.39)**	(2.21)*	(2.39)*		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–30

Uses of Increments in Total Liabilities (TLm), Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.2745	+.2947	+.0184	+.0928	−.0308	+.3750	−.2431	+.5173	+.0690	.830	12.10
		(7.24)**	(1.33)	(22.97)**	(3.02)**	(2.36)*	(4.92)**	(5.40)**	(2.20)*		
1970	−3.3838	+.6749	+.0074	+.7152	−.0032	+.0513	+.1745	+.1805	+.0942	.931	13.60
		(22.57)**	(0.45)	(20.98)**	(0.27)	(0.53)	(2.98)**	(4.09)**	(0.81)		
1969	−1.1368	+.2563	−.0437	+.6701	−.0051	+.2908	+.4814	+.6601	+.9311	.889	12.10
		(8.39)**	(3.28)**	(17.20)**	(0.38)	(3.05)**	(7.24)**	(3.92)**	(8.69)**		
1968	−.8735	+.5854	−.0225	+.4150	+.0458	+.0716	+.2253	−.3321	+.0610	.935	5.81
		(13.53)**	(3.77)**	(23.38)**	(6.65)**	(1.06)	(6.33)**	(2.32)*	(1.12)		
1967	−.4681	+.6128	−.0385	+.5104	+.0197	+.2988	−.3674	−.4849	+.0976	.926	.878
		(19.17)**	(3.79)**	(29.73)**	(1.83)	(4.91)**	(5.34)**	(4.84)**	(1.40)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–31

Uses of Increments in Total Liabilities (TLe), Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.5387	+.5023	−.0858	+.2163	+.0936	−1.5229	+.9166	+.4646	−.1074	.982	10.00
		(5.44)**	(2.73)**	(1.42)	(1.71)	(5.65)**	(10.82)**	(5.40)**	(1.97)		
1970	−.1264	+.2530	+.1423	+.0878	−.1252	+1.0413	+.0848	+.4757	−.0123	.969	14.40
		(1.80)	(2.93)**	(1.40)	(1.47)	(4.18)**	(0.79)	(1.92)	(0.11)		
1969	+1.8402	+.2174	−.0734	+.4058	−.0987	−1.3786	+.5763	−.5136	+.6202	.960	8.72
		(1.61)	(3.80)**	(4.95)**	(2.31)*	(8.82)**	(15.64)**	(3.01)**	(5.90)**		
1968	−1.4772	+.4260	+.0291	+.4359	+.1330	+1.1371	−.4945	+1.0343	−.2220	.980	6.85
		(6.46)**	(1.08)	(4.09)**	(3.14)**	(3.68)**	(6.62)**	(9.61)**	(3.51)**		
1967	+1.3173	+.2303	−.1258	+.2096	+.0883	+1.0633	+.6125	+.4757	−.0580	.987	6.61
		(5.04)**	(4.99)**	(2.13)*	(2.97)**	(8.69)**	(6.29)**	(5.39)**	(0.65)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–32

Uses of Increments in Short-Term Liabilities (STLa), Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.4118	+.2480	−.0151	+.6758	−.0481	−.2525	+.1550	+.4013	+.0068	.786	11.90
		(8.31)**	(1.51)	(26.04)**	(6.18)**	(2.59)*	(4.20)**	(7.09)**	(0.34)		
1970	−.7286	+.4832	−.0194	+.2836	+.0441	+.2796	+.0158	+.2433	−.1008	.865	5.30
		(17.79)**	(1.56)	(12.39)**	(4.63)**	(3.91)**	(0.40)	(5.61)**	(2.43)*		
1969	−1.4368	+.2227	−.0438	+.3819	+.0864	−.3490	+.2707	−.2231	−.1465	.739	14.60
		(7.50)**	(4.19)**	(12.44)**	(7.31)**	(4.13)**	(6.76)**	(1.77)	(3.59)**		
1968	−.4801	+.2257	+.0115	+.2907	+.0648	+.1793	−.1633	+.3907	−.1469	.868	7.00
		(8.97)**	(2.21)*	(17.44)**	(10.98)**	(2.66)**	(9.02)**	(6.49)**	(6.82)**		
1967	−.7634	+.3506	−.0675	+.4193	−.0113	+.2270	+.2389	−.3869	+.3118	.854	10.00
		(12.49)**	(7.43)**	(24.33)**	(1.28)	(3.94)**	(6.02)**	(7.55)**	(6.74)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–33

Uses of Increments in Short-Term Liabilities (STLm), Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+1.1339	+.1442	−.0051	+.7463	−.0522	+.0157	−.0866	+.4169	+.0741	.713	10.20
		(4.18)**	(0.44)	(21.78)**	(6.03)**	(0.12)	(2.07)*	(5.14)**	(2.79)**		
1970	−2.4765	+.4036	+.0434	+.5805	−.0069	+.1327	+.1293	+.1667	−.3673	.876	13.80
		(13.28)**	(2.62)**	(16.76)**	(0.58)	(1.34)	(2.17)*	(3.71)**	(3.09)**		
1969	−.5469	+.0407	−.0107	+.5420	+.0029	−.0641	+.0927	+.5085	+.8991	.838	11.70
		(1.38)	(0.83)	(14.36)**	(0.23)	(0.69)	(1.44)	(3.12)**	(8.66)**		
1968	−.4056	+.2381	+.0310	+.2649	+.0544	+.0697	−.0992	−.6892	−.3391	.869	6.14
		(5.21)**	(4.90)**	(14.12)**	(7.47)**	(0.98)	(2.64)**	(4.55)**	(5.88)**		
1967	+.0690	+.3762	−.0821	+.4683	+.0284	+.0950	−.4175	−.5168	+.2469	.890	8.65
		(11.94)**	(8.21)**	(27.70)**	(2.68)**	(1.58)	(6.16)**	(5.24)**	(3.59)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–34

Uses of Increments in Short-Term Liabilities (STLe), Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−1.3500	+.1709	−.5728	+.0178	+.2451	−2.1059	.5983	+.2252	−.3803	.953	11.50
		(1.62)	(1.60)	(0.10)	(3.92)**	(6.84)**	(6.18)**	(2.29)*	(6.11)**		
1970	−1.9122	+.1152	+.0981	+.1722	−.0251	+.6156	+.0536	+.0607	−.1019	.983	9.62
		(1.22)	(3.02)**	(4.09)**	(0.44)	(3.70)**	(0.74)	(0.37)	(1.31)		
1969	+.8036	+.0010	−.0684	+.1182	−.0353	−1.0746	+.4585	−.1060	+.5678	.972	6.44
		(0.01)	(4.80)**	(1.95)	(1.12)	(9.32)**	(16.84)**	(0.84)	(7.32)**		
1968	+.0813	−.0048	+.0240	−.1564	+.0878	+1.5393	−.0068	+.6401	−.0494	.928	8.75
		(0.06)	(0.70)	(1.15)	(1.62)	(3.90)**	(0.07)	(4.66)**	(0.61)		
1967	+.5189	+.2277	−.0824	+.2488	+.1028	+.6704	+.4532	+.0733	−.2857	.985	5.15
		(6.40)**	(4.19)**	(3.25)**	(4.44)**	(7.03)**	(5.97)**	(1.07)	(4.09)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

1970. If the liabilities were denominated in dollars and the assets in the currency of the host country, this pattern may be explained as an adjustment in anticipation of the dollar devaluations which ultimately took place in 1971. This shift in 1970 seems to have been at the expense of using short-term liabilities to finance long-term receivables. Again, one might be able to rationalize this in terms of anticipated devaluation if the receivables were denominated in the local currency. That is, given the choice of financing fixed assets (which might be purchased with pre-revaluation dollars) or long-term receivables (which were denominated in pre-revaluation local currency), one might use short-term dollar liabilities to finance dollar purchases of assets while the value of the dollar is still high. If one anticipated the devaluation correctly, long-term receivables denominated in the local currency could not decrease in local currency value, and fixed assets purchased for dollars could only increase in local currency value. It should be recognized that these relationships involve only one interpretation of the estimates, and other interpretations may be possible. Such a pattern is not so readily apparent in the extractive industry estimates.

The long-term liability estimates in Tables 3–35, 3–36 and 3–37, show, as expected, a stronger relationship between LTL and fixed assets than between LTL and short-term assets. Further, as could be anticipated, there is no pattern that can easily be interpreted in terms of anticipation of devaluation. Some FDIP effects seem to be manifested in the extractive industry estimates. In the previous section, less FDIP effect was found in these industries than in manufacturing. Table 3–37 may provide an indication as to why. Therein one can note the substantial increase in importance which both fixed and short-term assets had in 1968 as a use of long-term liabilities. Although at about half the 1968 intensity, the 1969 use of long-term liabilities continued above what seems to be the normal pattern. These changes seem to be increases which were compensated for by decreasing the use of long-term liabilities to finance other assets and long-term receivables. If this interpretation of the movements among coefficients is correct, one might conclude that the primary effect of the FDIP on the extractive industries was to shift the pattern of the firms' internal use of long-term liabilities.

Upon disaggregating short- and long-term liabilities into interest-bearing and non-interest-bearing liabilities, one introduces a fair amount of variation in the explanatory power of the equation in some years (using $\bar{R}^2$ as the criterion). Nonetheless, some effects which seem to be Program-related are discernible. For example, turning to the short-term interest-bearing liability equations found in Tables 3–38, 3–39 and 3–40, one can note that in 1968 this type of liability was used by the manufacturing industries to a lesser extent than normal to finance increments in short-term assets (and also, it seems, long-term receivables). Instead, this type of liability was used to a greater extent in 1968 than in either 1967 or 1969 to finance changes in fixed assets and other assets.

Regarding the 1970 and 1971 equations, which may provide some insights into the way the affiliates of U.S. direct investors handled the 1971 devaluation, one can make several observations. First, one might note the changes which have taken place in the coefficients of other assets and short-term assets in the manufacturing industries for the 1969–71 period. Also in 1971 the change in the short-term assets coefficient increased dramatically as the ΔOA coefficient was sharply declining in size. While these changes prove nothing, and the $\bar{R}^2$ differs from year to year, the sharp shifts in size and sign of statistically significant coefficients do indicate an important restructuring of the uses to which short-term interest-bearing liabilities were put in the manufacturing sector. Further, the timing suggests that the devaluation may have been influential in causing these shifts.

The use of short-term non-interest-bearing liabilities to finance increments in short-term assets appears to be more stable for manufacturing industries than for extractive industries (Tables 3–41, 3–42, and 3–43). During periods of stress such as the initial restrictive implementation of OFDI and the exchange rate uncertainty of the 1970–71 period, the most notable shifts in either size or sign of significant coefficients were for ΔLTR, ΔOA (1971) and ΔFA. For the extractive industries the relationships existing at the end of 1971 and 1969 exhibit an interesting parallel dissimilarity to the 1970 and 1968 relationships respectively.

An interesting aspect of the long-term interest-bearing liability equations found in Tables 3–44, 3–45, 3–46 is that the positive relationship between these liabilities and increments in long-term receivables and increments in fixed assets was by far strongest in 1968 for all industries, emphasizing the restrictiveness of the FDIP. On a disaggregated plane, this adjustment is most noticeable for ΔFA in the manufacturing industries and ΔLTR in the extractive industries.

Finally, long-term non-interest-bearing liabilities (Tables 3–47, 3–48, and 3–49) seem to have been used to finance increments in fixed assets in 1968 and in short-term assets and long-term receivables in 1969 as the extractive

TABLE 3–35

Uses of Increments in Long-Term Liabilities (LTLa), Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.2756	+.1992 (6.83)**	−.0292 (3.00)**	−.0498 (1.97)*	+.0600 (7.88)**	+.1422 (1.50)	+.0540 (1.50)	+.2041 (3.69)**	−.0359 (1.81)	.620	11.60
1970	+.4643	+.2977 (16.00)**	−.0649 (7.59)**	+.0212 (1.35)	+.0354 (5.44)**	+.0951 (2.01)*	+.0259 (0.95)	+.0588 (1.98)*	+.1037 (3.65)**	.554	10.50
1969	+.0958	+.2027 (13.19)**	−.0495 (9.15)**	+.1498 (9.42)**	+.0157 (2.57)*	+.2027 (4.64)**	+.1606 (7.75)**	.2123 (3.25)**	−.0585 (2.77)**	.618	7.56
1968	+.0151	+.5207 (18.11)**	−.0480 (8.10)**	+.0392 (2.06)*	+.0416 (6.16)**	−.5479 (7.11)**	−.0776 (3.75)**	+.3489 (5.07)**	−.0310 (1.26)	.618	8.00
1967	−.3721	+.1121 (5.28)**	−.0006 (0.09)	+.0567 (4.35)**	+.0287 (4.29)**	+.2148 (4.93)**	+.1002 (3.32)**	+.2563 (6.62)**	−.1841 (5.26)**	.627	7.60

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–36

Uses of Increments in Long-Term Liabilities (LTLm), Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.8597	+.1505 (4.44)**	+.0235 (2.05)*	+.1818 (5.40)**	+.0214 (2.52)*	+.3594 (2.72)**	−.1565 (3.80)**	+.1004 (1.26)	−.0051 (0.20)	.661	10.10
1970	−.9074	+.2112 (11.90)**	−.0360 (2.90)**	+.1347 (5.18)**	+.0037 (0.42)	−.0815 (1.10)	+.0452 (1.01)	+.0138 (0.41)	+.4616 (5.17)**	.646	10.30
1969	−.5901	+.2156 (11.20)**	−.0330 (3.93)**	+.1280 (5.22)**	−.0080 (0.95)	+.3550 (5.91)**	+.3887 (9.28)**	+.1515 (1.43)	+.0320 (0.47)	.666	7.61
1968	−.4676	+.3473 (7.99)**	−.0535 (8.90)**	+.1501 (8.42)**	−.0086 (1.25)	+.0019 (0.03)	+.3245 (9.07)**	+.3570 (2.48)*	+.4002 (7.30)**	.767	5.83
1967	−.5374	+.2366 (9.84)**	+.0436 (5.71)**	+.0421 (3.26)**	−.0087 (1.08)	+.2039 (4.45)**	+.0501 (0.97)	+.0319 (0.42)	−.1493 (2.85)**	.726	6.60

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–37

Uses of Increments in Long-Term Liabilities (LTLe), Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.8111	+.3314 (4.58)**	−.2848 (1.16)	+.1986 (1.66)	−.1515 (3.53)**	+.5832 (2.76)**	+.3183 (4.79)**	.2394 (3.55)**	+.2730 (6.39)**	.943	7.86
1970	+1.7866	+.1377 (1.71)	+.0441 (1.59)	−.0844 (2.35)*	−.1001 (2.06)*	+.4257 (2.99)**	+.0312 (0.51)	+.4148 (2.93)**	+.0897 (1.35)	.656	8.21
1969	+1.0367	+.2165 (2.40)*	−.0050 (0.39)	+.2877 (5.27)**	−.0634 (2.23)*	−.3039 (2.92)**	+.1178 (4.81)**	−.4076 (3.59)**	+.0525 (0.75)	.843	5.80
1968	−1.5587	+.4308 (7.88)**	+.0051 (0.23)	+.5924 (6.70)**	+.0452 (1.29)	−.4027 (1.57)	−.4877 (7.88)**	+.3942 (4.42)	−.1726 (3.29)**	.938	5.68
1967	+.7991	+.0025 (0.13)	−.0434 (4.21)**	−.0392 (0.98)	−.0145 (1.20)	+.3930 (7.86)**	+.1593 (4.00)**	+.4024 (11.16)**	+.2277 (6.22)**	.980	2.70

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–38

Uses of Increments in Short-Term Interest-Bearing Liabilities (STLib–a), Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+1.2120	+.2025	−.0428	+.2965	−.0267	−.4055	+.1990	−.1802	−.0525	.450	13.50
		(5.98)**	(3.79)**	(10.08)**	(3.03)**	(3.67)**	(4.75)**	(2.81)**	(2.28)*		
1970	−.7781	+.2097	−.0364	+.1744	+.0228	+.3308	+.1854	+.1459	−.0367	.645	14.80
		(8.02)**	(3.03)**	(7.92)**	(2.49)*	(4.80)**	(4.86)**	(3.49)**	(0.92)		
1969	−.4946	−.0519	−.0259	+.1783	+.0316	−.0215	+.1137	+.0826	−.0121	.350	11.40
		(2.25)*	(3.18)**	(7.45)**	(3.43)**	(0.33)	(3.64)**	(0.84)	(0.38)		
1968	+.0215	+.0832	−.0151	+.0056	+.0346	+.4083	+.0329	−.0242	−.0820	.270	5.78
		(4.00)**	(3.53)**	(0.41)	(7.10)**	(7.33)**	(2.20)*	(0.49)	(4.61)**		
1967	−.8723	+.1249	−.0526	+.3106	−.0003	+.0217	+.3304	−.3226	+.1743	.742	9.46
		(4.72)**	(6.15)**	(19.14)**	(0.04)	(0.40)	(8.81)**	(6.69)**	(4.00)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–39

Uses of Increments in Short-Term Interest-Bearing Liabilities (STLib–m), Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.6057	+.2934	−.0454	+.4707	−.0382	−.7274	+.0627	+.0997	+.0870	.346	13.60
		(6.38)**	(2.91)**	(10.32)**	(3.32)**	(4.06)**	(1.12)	(0.92)	(2.46)*		
1970	−1.1979	+.2048	−.0171	+.2983	−.0072	+.3267	+.2705	+.1121	+.0152	.613	14.90
		(6.23)**	(0.95)	(7.96)**	(0.56)	(3.06)**	(4.20)**	(2.31)*	(0.12)		
1969	−.5109	−.0990	−.0323	+.2622	+.0090	−.1036	−.0015	+.6604	+.5928	.516	9.98
		(3.92)**	(2.94)**	(8.14)**	(0.81)	(1.31)	(0.21)	(4.53)**	(6.69)**		
1968	−.0619	+.2466	−.0045	−.0331	+.0399	+.3602	−.0433	−.4898	−.2622	.318	6.14
		(5.39)**	(0.71)	(1.76)	(5.47)**	(5.04)**	(1.15)	(3.23)**	(4.54)**		
1967	−.2169	+.0378	−.0677	+.3811	+.0310	−.0200	−.0223	−.0763	+.1497	.752	9.06
		(1.15)	(6.46)**	(21.52)**	(2.80)**	(0.32)	(0.31)	(0.74)	(2.08)*		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–40

Uses of Increments in Short-Term Interest Bearing Liabilities (STLib–e), Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.5942	+.0862	.0356	−.2747	+.0246	−1.3231	+.2774	+.0135	−.2674	.878	10.50
		(0.90)	(1.09)	(1.72)	(0.43)	(4.71)**	(3.14)**	(0.15)	(4.70)**		
1970	−2.1010	−.0298	−.1219	+.1806	+.3411	−.0169	+.1805	−.4944	−.4610	.945	9.10
		(0.33)	(3.96)**	(4.53)**	(6.34)**	(0.11)	(2.64)**	(3.15)**	(6.26)**		
1969	+1.8904	+.1219	+.0356	−.3227	−.2239	−.1009	+.0766	+.2892	+.7674	.696	9.91
		(0.79)	(1.62)	(3.46)**	(4.60)**	(0.57)	(1.83)	(1.49)	(6.42)**		
1968	−.1763	−.0197	−.0002	−.0696	+.0048	+1.0558	+.0580	+.1709	+.0101	.319	5.13
		(0.40)	(0.01)	(0.87)	(0.15)	(4.56)**	(1.04)	(2.12)*	(0.21)		
1967	−.1896	+.1976	−.0356	+.0606	+.0607	+.1512	+.2924	−.1323	−.1778	.987	3.39
		(8.44)**	(2.75)**	(1.20)	(3.98)**	(2.41)*	(5.85)**	(2.92)**	(3.87)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–41

Uses of Increments in Short-Term Non-Interest-Bearing Liabilities (STLnib–a), Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.8004	+.0455	+.0277	+.3793	−.0214	+.1529	−.0440	+.5815	+.0593	.819	11.40
		(1.60)	(2.92)**	(15.32)**	(2.88)**	(1.65)	(1.25)	(10.77)**	(3.06)**		
1970	+.0500	+.2736	+.0170	+.1092	+.0213	−.0512	−.1696	+.0975	−.0640	.621	15.30
		(10.09)**	(1.36)	(4.78)**	(2.24)*	(0.72)	(4.29)**	(2.25)*	(1.55)		
1969	−.9419	+.2747	−.0179	+.2037	+.0548	−.3275	+.1571	−.3058	−.1344	.621	13.20
		(10.21)**	(1.89)	(7.31)**	(5.11)**	(4.28)**	(4.33)**	(2.67)**	(3.63)**		
1968	−.5020	+.1425	+.0265	+.2850	+.0302	−.2290	−.1962	+.4148	−.0649	.903	5.21
		(7.62)**	(6.88)**	(22.98)**	(6.88)**	(4.56)**	(14.56)**	(9.26)**	(4.05)**		
1967	+.1087	+.2257	−.0149	+.1087	−.0110	+.2053	−.0906	−.0642	+.1375	.617	7.51
		(10.75)**	(2.19)*	(8.44)**	(1.66)	(4.77)**	(3.04)**	(1.68)	(3.97)**		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–42

Uses of Increments in Short-Term Non-Interest-Bearing Liabilities (STLnib–m), Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.5281	−.1492	+.0402	−.2756	−.0139	−.7430	+.1493	+.3172	−.0130	.561	8.82
		(5.02)**	(3.99)**	(9.34)**	(1.87)	(6.41)**	(4.14)**	(4.54)**	(0.57)		
1970	−1.2780	+.1988	+.0605	+.2822	+.0003	−.1940	−.1412	+.0546	−.3825	.642	14.30
		(6.29)**	(3.51)**	(7.83)**	(0.02)	(1.89)	(2.28)*	(1.17)	(3.09)**		
1969	−.0357	+.1397	+.0216	+.2798	−.0061	+.0394	+.1042	−.1217	+.3063	.683	11.60
		(4.76)**	(1.69)	(7.48)**	(0.47)	(0.43)	(1.63)	(0.75)	(2.98)**		
1968	−.3342	−.0085	+.0354	+.2979	+.0145	−.2905	−.0559	−.1994	−.0770	.893	4.61
		(0.25)	(7.46)**	(21.15)**	(2.66)**	(5.41)**	(1.98)	(1.75)	(1.78)		
1967	+.2857	+.3383	−.0144	+.0872	−.0026	+.1149	−.3952	−.4404	+.0972	.703	6.87
		(13.53)**	(1.81)	(6.49)**	(0.31)	(2.41)*	(7.34)**	(5.62)**	(1.78)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–43

Uses of Increments In Short-Term Non-Interest Bearing Liabilities (STLnib–e), Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−1.9440	+.0847	−.0929	+.2926	+.2205	−.7827	+.3209	+.2117	−.1129	.981	9.11
		(1.01)	(3.26)**	(2.11)*	(4.43)**	(3.20)**	(4.17)**	(2.71)**	(2.28)*		
1970	+.1893	+.1450	+.2200	−.0084	−.3662	+.6324	−.1269	+.5552	+.3591	.918	11.20
		(1.32)	(5.81)**	(0.17)	(5.53)**	(3.26)**	(1.51)	(2.88)**	(3.96)**		
1969	−1.0866	−.1209	−.1040	+.4409	+.1886	−.9739	+.3819	−.3951	−.1996	.877	9.84
		(0.79)	(4.77)**	(4.76)**	(3.90)**	(5.52)**	(9.18)**	(2.05)*	(1.68)		
1968	+.2577	+.0149	+.0242	−.0868	+.0831	+.4834	−.0648	+.4691	−.0596	.973	4.95
		(0.31)	(1.24)	(1.13)	(2.71)**	(2.16)*	(1.20)	(6.03)**	(1.30)		
1967	+.7087	+.0302	−.0468	+.1882	+.0421	+.5192	+.1608	+.2056	−.1079	.888	5.26
		(0.83)	(2.33)*	(2.41)*	(1.78)	(5.34)**	(2.08)*	(2.93)*	(1.51)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–44

Uses of Increments in Long-Term Interest Bearing Liabilities (LTLib–a), Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.1493	+.1260 (4.06)**	−.0192 (1.85)	−.0470 (1.74)	+.0531 (6.55)**	+.0599 (0.59)	−.0095 (0.25)	+.2421 (4.11)**	−.0415 (2.04)*	.433	12.40
1970	+.4618	+.2025 (11.46)**	−.0397 (4.89)**	+.0392 (2.63)**	+.0196 (3.16)**	+.1526 (3.28)**	+.0124 (0.48)	−.0035 (0.13)	−.0393 (1.45)	.441	9.99
1969	−2.3526	+.1341 (6.17)**	−.0285 (3.72)**	−.6916 (30.72)**	−.9610 (110.97)**	+.3619 (5.84**)	+.6067 (20.67)**	+.0868 (0.94)	−.2797 (9.36)**	.997	10.70
1968	+.1139	+.4003 (12.49)**	−.0683 (10.33)**	+.0465 (2.19)*	+.0486 (6.45)**	−.3815 (4.44)**	−.1782 (7.71)**	+.9172 (11.95)**	+.3171 (11.56)**	.632	8.92
1967	−.1314	+.1403 (6.66)**	+.0078 (1.14)	+.0476 (3.69)**	+.0051 (0.77)	+.0960 (2.22)**	+.1393 (4.66)**	+.1995 (5.19)**	−.1766 (5.09)**	.587	7.53

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–45

Uses of Increments in Long-Term Interest-Bearing Liabilities (LTLib–m), Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.6684	+.0400 (1.07)	+.0415 (3.26)**	+.1676 (4.49)**	+.0147 (1.56)	+.3625 (2.48)*	−.2610 (5.72)**	+.2320 (2.63)**	+.0077 (0.27)	.551	11.20
1970	−.7408	+.1970 (9.68)**	−.0331 (2.99)**	+.0886 (3.82)**	+.0076 (0.95)	−.0952 (1.44)	+.0217 (0.55)	−.0004 (0.01)	+.3418 (4.29)**	.521	9.23
1969	−3.2564	+.1321 (5.05)**	−.0091 (0.79)	−.6753 (20.24)**	−.9996 (86.62)**	+.3694 (4.53)**	+.7363 (12.94)**	+.6757 (4.69)**	+.2258 (2.46)*	.996	10.30
1968	−.1499	+.3305 (8.24)**	−.0573 (10.34)**	+.1114 (6.77)**	−.0056 (0.88)	+.1012 (1.62)	+.2506 (7.59)**	+.2367 (1.78)	+.3865 (7.63)**	.735	5.39
1967	−.2207	+.2140 (7.61)**	+.0361 (4.03)**	+.0453 (3.00)**	−.0188 (1.99)*	+.1251 (2.34)*	+.1169 (1.93)	+.0536 (0.61)	−.1592 (2.60)**	.570	7.72

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–46

Uses of Increments in Long-Term Interest Bearing Liabilities (LTLib–e), Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.7377	+.3594 (4.99)**	+.0003 (0.01)	+.0472 (0.40)	−.1586 (3.71)**	+.2610 (1.24)	+.2509 (3.80)**	+.2269 (3.38)**	+.2336 (5.50)**	.893	7.82
1970	+2.3447	+.2141 (1.83)	+.1386 (3.43)**	−.1316 (2.52)*	−.2875 (4.07)**	+.5935 (2.87)**	−.0255 (0.28)	+.4901 (2.38)*	+.1541 (1.60)	.558	11.90
1969	+2.0528	+.0871 (0.83)	+.0122 (0.81)	−.9554 (14.97)**	−1.1562 (34.73)**	+.2777 (2.28)*	+.5209 (18.17)**	−.7429 (5.59)**	+.4665 (5.71)**	1.000	6.78
1968	−2.3512	+.0798 (1.04)	−.0573 (1.82)	+.8061 (6.48)**	+.1918 (3.88)**	−.0801 (0.22)	−.6398 (7.34)**	+.6428 (5.12)**	−.0184 (0.25)	.942	7.99
1967	+.3991	+.0623 (4.18)**	−.0141 (1.71)	+.0273 (0.85)	−.0609 (6.27)**	−.0113 (0.28)	+.2097 (6.60)**	+.2171 (7.53)**	+.2228 (7.62)**	.986	2.16

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–47

Uses of Increments in Long-Term Non-Interest-Bearing Liabilities (LTLnib–a), Regression Results for All Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.1262	.0732	−.0100	−.0028	+.0069	+.0823	+.0635	−.0381	+.0073	.582	3.86
		(7.57)**	(3.10)**	(0.34)	(2.75)**	(2.61)**	(5.31)**	(2.08)*	(1.11)		
1970	+.0026	+.0951	−.0252	−.0180	+.0158	−.0541	+.0135	+.0624	+.1430	.654	4.93
		(10.89)**	(6.28)**	(2.45)*	(5.18)**	(2.35)*	(1.06)	(4.47)**	(10.71)**		
1969	+2.4486	+.0686	−.0210	+.8413	+.9767	−.1591	−.4461	+.1255	+.2213	.998	8.29
		(4.07)**	(3.54)**	(48.26)**	(145.64)**	(3.32)**	(19.63)**	(1.75)	(9.56)**		
1968	−.0987	+.1203	+.0203	−.0072	−.0070	−.1664	+.1006	−.5683	−.2862	.636	4.18
		(8.01)**	(6.55)**	(0.73)	(1.99)*	(4.13)**	(9.30)**	(15.81)**	(22.27)**		
1967	−.2405	−.0282	−.0084	+.0091	+.0236	+.1189	−.0391	+.0568	−.0075	.309	3.20
		(3.15)**	(2.89)**	(1.66)	(8.35)**	(6.47)**	(3.08)**	(3.48)**	(0.51)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–48

Uses of Increments in Long-Term Non-Interest-Bearing Liabilities (LTLnib–m), Regression Results for Manufacturing Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	−.1914	+.1105	−.0180	+.0143	+.0067	−.0031	+.1045	−.1316	−.0128	.392	3.81
		(8.62)**	(4.13)**	(1.12)	(2.07)*	(0.06)	(6.70)**	(4.36)**	(1.30)		
1970	−.1666	+.0742	−.0029	+.0461	−.0039	+.0137	+.0235	+.0142	+.1198	.543	3.99
		(8.43)**	(0.61)	(4.60)**	(1.12)	(0.48)	(1.36)	(1.09)	(3.47)**		
1969	+2.6665	+.0835	−.0239	+.8033	+.9916	−.0144	−.3477	−.5243	−.1939	.998	7.67
		(4.30)**	(2.82)**	(32.43)**	(115.75)**	(0.24)	(8.23)**	(4.90)**	(2.85)**		
1968	−.3173	+.0168	+.0039	+.0387	−.0030	−.0993	+.0739	+.1204	+.0136	.670	1.82
		(1.24)	(2.06)*	(6.96)**	(1.40)	(4.69)**	(6.62)**	(2.68)**	(0.80)		
1967	−.3164	+.0226	+.0076	−.0032	+.0100	+.0789	−.0667	−.0218	+.0099	.489	2.48
		(2.49)*	(2.65)*	(0.66)	(3.31)**	(4.58)**	(3.43)**	(0.77)	(0.50)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

TABLE 3–49

Uses of Increments in Long-Term Non-Interest-Bearing Liabilities (LTLnib–e), Regression Results for Extractive Industries, Structural Equations, 1967–71

Base Year	Constant Term	ΔFA	FA_{t-1}	ΔSTA	STA_{t-1}	ΔOA	OA_{t-1}	ΔLTR	LTR_{t-1}	$\bar{R}^2$	See
1971	+.0741	−.0280	−.0288	+.1513	+.0070	+.3221	+.0673	+.0125	+.0394	.921	3.33
		(0.91)	(2.76)**	(2.98)**	(0.39)	(3.60)**	(2.39)**	(0.44)	(2.18)*		
1970	−.5573	−.0763	−.0945	+.0472	+.1874	−.1678	+.0568	−.0752	−.0644	.899	6.04
		(1.29)	(4.62)**	(1.79)	(5.25)**	(1.61)	(1.25)	(0.72)	(1.32)		
1969	−1.0161	+.1294	−.0172	+1.2431	+1.0929	−.5816	−.4031	+.3353	−.4141	1.000	4.96
		(1.68)	(1.57)	(26.65)**	(44.93)**	(6.55)**	(19.25)**	(3.45)**	(6.94)**		
1968	+.7919	+.3509	+.0624	−.2136	−.1466	−.3226	+.1521	−.2486	−.1543	.925	5.00
		(7.29)**	(3.17)**	(2.74)**	(4.74)**	(1.43)	(2.79)**	(3.17)**	(3.34)**		
1967	+.3997	−.0598	−.0293	−.0666	+.0463	+.4043	−.0506	+.1854	+.0049	.871	2.22
		(3.90)**	(3.46)**	(2.02)*	(4.64)**	(9.84)**	(1.55)	(6.25)**	(0.16)		

The numbers in parentheses are t-statistics; * and ** indicate significantly different from zero at 5% and 1% levels, respectively.

industries adapted to the FDIP. In manufacturing, a similar pattern is found for the STA variables for 1969. However, the increase in the size of the ΔLTR coefficient took place in 1968 in these industries.

These comments on the changing relationships over time among annual regression coefficients could be expanded upon substantially. If such were done the probability of covering the interests of all readers would be increased. Nonetheless, many questions would remain unconsidered. Therefore, as mentioned at this section's beginning, the regression results are supplied so that they can be analysed by each according to his interests. In this context, the comments on the results now being concluded should be considered as but indicative of the kinds of implications to be found in the relationships.

It does seem that the establishment of the FDIP in 1968 affected the financial structure of foreign affiliates of U.S. direct investors, with the adjustments to the FDIP differing between manufacturing and extractive industries. In addition, the results suggest that AFNs' financial structures were adjusted in anticipation of the devaluations of 1971. This is somewhat less certain, since the data do not permit AFN balance sheets to be disaggregated by currency.

GLOSSARY OF SYMBOLS

CT = Capital Transfers
D = Dividends
DE = Depreciation
DI = Book Value (stock) of Direct Investment
E = Earnings
FA = Total Fixed Assets
I = ΔDI
LTL = Total Long-Term Liabilities
LTL_{ib} = Long-Term Interest-Bearing Liabilities
LTL_{nib} = Long-Term non-Interest-bearing Liabilities
LTR = Long-Term Receivables
OA = Other Assets
PE = ΔFA
R = Total Revenues $\left(\frac{\text{Total Assets}}{\text{Total Revenues}}\right)$
R is a proxy for the size of each investor's market
RE = Reinvested Earnings
SA = Value of Utilized Specific Authorizations
STA = Short-Term Assets
STL = Total Short-Term Liabilities
STL_{ib} = Short-Term Interest-Bearing Liabilities
STL_{nib} = Short-Term non-Interest-Bearing Liabilities
STR = Short-Term Receivables
TA = Total Assets
TL = Total Liabilities
UP = Use of Proceeds
WT = Foreign Withholding Taxes on Dividends
a = all industries
e = extractive industries
m = manufacturing industries
t = base time period
Δ = t − (t−1)
$A_0 - A_7$ = regression coefficients
$\bar{R}^2$ = coefficient of determination adjusted for degrees of freedom
$\overline{See}$ = standard error of the estimate adjusted for degrees of freedom

APPENDIX OF BASIC DATA
(Appendix A)

This appendix contains the basic data collected on Form FDI–105. The form, displayed on the next two pages, was filed by 440 direct investors for the years 1966–71. As the form indicates, data are collected on foreign affiliates which are majority-owned by U.S. direct investors for Canada and for the rest of the world (Scheduled Areas). The data can be divided into industry groupings based on the principal endeavor of the DI so that industry-specific-factors can be identified (although it should be noted that the industry of the parent does not necessarily correspond to the industry of the AFN). Therefore, the data presentation found in the tables in this appendix emphasize the Canadian-Schedular breakdown as well as a disaggregation by industry.

From a different perspective, Tables 4–1 to 4–9 and 4–10 to 4–18 contain stock data for Schedule A, B, and C countries and Canada respectively. Tables 4–19 to 4–27 contain annual flow data for the Scheduled Areas, and Tables 4–28—4–36 similar data for Canada. Tables 4–37 to 4–45 present selected ratios (presented as percentages) based on data found in Tables 4–1 to 4–18.

AFN earnings are introduced in Tables 4–37 to 4–45. These data, which are from Form FDI–102F, are net of foreign taxes. They reflect all AFN transactions except those with other majority-owned AFNs of the parent DI. In addition, the breakdown between retained earnings and the equity component of capital transfers was estimated based on Form FDI–102F data. The revenue data in Tables 4–37 to 4–45 include sales and other income from all transactions except those with other majority-owned AFNs of the same direct investor.

The analyses found in Chapters 2 and 3, which utilize these data, are not exhaustive. Thus a major purpose of presenting the data here is to provide data to researchers who may be interested in extending the analysis. In addition, direct investors may wish to compare their particular experience with the relevant aggregate experience.

Form Approved; OMB No. 41-R2652

FORM **FDI-105** (6-70) U.S. DEPARTMENT OF COMMERCE
OFFICE OF FOREIGN DIRECT INVESTMENTS

AFN FINANCIAL STRUCTURE AND RELATED DATA

1051

OFDI identification number

Name and address of Reporter:

Return one copy of this report to:
Program Reports Branch
Office of Foreign Direct Investments
U.S. Department of Commerce
Washington, D.C. 20230

Category (Show amounts in thousands of U.S. dollars, omitting final 000; e.g., show $1,234,532 as $1,235)	Canada		Schedules A, B, C	
	1970 (1)	1971 (2)	1970 (3)	1971 (4)
AFN BALANCE SHEET DATA 01 Reporter's share in equity of majority AFNs				
02 Minority interests in majority AFNs				
03 Total equity of majority AFNs (Lines 01 & 02)				
04 Total short-term and long-term liabilities owed to reporter				
05 Total long-term liabilities owed to persons other than the reporter after elimination of all inter-majority AFN liabilities				
06 Total short-term liabilities owed to persons other than the reporter after elimination of all inter-majority AFN liabilities				
07 Total of Lines 03 through 06				
08 Total inventories of majority AFNs after elimination of inter-majority inventories				
09 Total current receivables of majority AFNs after elimination of current inter-majority receivables				
10 Total cash and other current assets of majority AFNs after elimination of inter-majority cash accts.				
11 Total of Lines 08 through 10				
12 Total long-term receivables of majority AFNs after elimination of inter-majority AFN receivables				
13 Total fixed assets of majority AFNs after elimination of inter-majority AFN fixed assets				
14 Total other assets of majority AFNs after elimination of inter-majority AFN other assets				
15 Total of Lines 11 through 14				
MEMORANDUM ITEMS 16 Portion of Line 05 owed to persons in the U.S. other than the reporter				
17 Portion of Line 06 owed to persons in the U.S. other than the reporter				
18 Portion of Line 05 owed to persons in Canada				
19 Portion of Line 05 representing liabilities bearing no or virtually no interest				

USCOMM-DC-18979-P72

Category (Show amounts in thousands of U.S. dollars, omitting final 000; e.g., show $1,234,532 as $1,235)	Canada		Schedules A, B, C	
	1970 (1)	1971 (2)	1970 (3)	1971 (4)
20 Portion of Line 06 representing liabilities bearing no or virtually no interest				
21 Total long-term and short-term liabilities of reporter owed to majority AFNs				
22 Total long-term and short-term liabilities of majority AFNs owed to other majority AFNs				
23 Minimum annual rental expense by majority AFNs for leased facilities from third parties not reflected on Line 15				
AFN INCOME DATA 24 Total revenues of majority AFNs excluding revenues derived from transactions with other majority AFNs				
25 Depreciation and other non-cash charges to income for majority AFNs only				

CONSOLIDATED BALANCE SHEET DATA		1970 Worldwide	1971 Worldwide
Dates of balance-sheets if fiscal years	26 Consolidated total liabilities of reporter		
	27 Consolidated total equity of reporter		

PROJECTED INFORMATION FOR 1972	1972 Schedules A,B, C
28 Anticipated 1972 revenues of non-Canadian majority AFNs	

EFFECTS OF EXCHANGE GAINS OR LOSSES DURING 1971	1971	
	Canada	Schedules A, B, C
	(1)	(2)
29 Increase or decrease in dollar value of cash and other short-term assets reported on Line 10, Columns 2 and 4, resulting from exchange rate changes		

	Schedules A, B, C (excluding Canada)
30 Increase or decrease in dollar value of inventories reported on Line 8, Column 4, resulting from exchange rate changes	
31 Increase or decrease in dollar value of current receivables reported on Line 9, Column 4, resulting from exchange rate changes	
32 Increase or decrease in dollar value of short-term liabilities reported on Line 6, Column 4, resulting from exchange rate changes	
33 Increase or decrease in dollar value of long-term liabilities reported on Line 5, Column 4, resulting from exchange rate changes	

34 Indicate briefly the accounting methods used to determine gains or losses due to exchange rate changes.

Name of preparer (Individual or Firm)	Address (Street, City, State, Zip Code)	Area Code & Telephone

USCOMM-DC-18973-P72

TABLE 4–1

All Industries

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	27,025	57.7	30,476	57.5	12.8	33,597	55.6	10.2
A. Majority Equity of DI	19,767	42.2	22,894	43.2	15.8	25,545	42.3	11.6
B. AFN Liabilities to DI	7,258	15.5	7,582	14.3	4.5	8,052	13.3	6.2
2. Minority Equity in AFN	1,335	2.9	1,539	2.9	15.3	1,779	2.9	15.6
3. Liabilities to Others	18,469	39.4	21,009	39.6	13.8	25,038	41.4	19.2
A. Short-term	13,274	28.3	14,761	27.8	11.2	17,615	29.2	19.3
(1) Interest Bearing	4,408	9.4	5,210	9.8	18.2	5,975	9.9	14.7
(2) Non-Interest Bearing	8,866	18.9	9,551	18.0	7.7	11,640	19.3	21.9
B. Long-Term	5,195	11.1	6,247	11.8	20.3	7,423	12.3	18.8
(1) Interest Bearing	3,644	7.8	4,536	8.6	24.5	5,598	9.3	23.4
(2) Non-Interest Bearing	1,551	3.3	1,711	3.2	10.3	1,825	3.0	6.7
Total Liabilities Plus Equity	46,829	100.0	53,023	100.0	13.2	60,414	100.0	13.9
1. Current Assets	21,643	46.2	24,155	45.6	11.6	28,570	47.3	18.3
2. Fixed Assets	21,073	45.0	24,000	45.3	13.9	26,620	44.1	10.9
3. Other Assets	4,112	8.8	4,869	9.2	18.4	5,223	8.6	7.3
Total Assets	46,829	100.0	53,023	100.0	13.2	60,414	100.0	13.9

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	37,530	54.5	11.7	42,080	52.9	12.1	47,225	52.5	12.2
A. Majority Equity of DI	27,521	39.9	7.7	31,375	39.4	14.0	34,518	38.4	10.0
B. AFN Liabilities to DI	10,009	14.5	24.3	10,705	13.4	7.0	12.707	14.1	18.7
2. Minority Equity in AFN	1,878	2.7	5.6	2,123	2.7	13.0	2,204	2.5	3.8
3. Liabilities to Others	29,491	42.8	17.8	35,405	44.5	20.1	40,496	45.0	14.4
A. Short-Term	21,024	30.5	19.4	25,567	32.1	21.6	28,338	31.5	10.8
(1) Interest Bearing	7,086	10.3	18.6	9,333	11.7	31.7	9,714	10.8	4.1
(2)Non-Interest Bearing	13,938	20.2	19.7	16,234	20.4	16.5	18,624	20.7	14.7
B. Long-Term	8,467	12.3	14.1	9,838	12.4	16.2	12,158	13.5	23.6
(1) Interest Bearing	6,151	8.9	9.9	6,924	8.7	12.6	8,702	9.7	25.7
(2) Non-Interest Bearing	2,317	3.4	27.0	2,914	3.7	25.8	3,456	3.8	18.6
Total Liabilities Plus Equity	68,900	100.0	14.0	79,607	100.0	15.5	89,925	100.0	13.0
1. Current Assets	33,461	48.6	17.1	38,968	49.0	16.5	43,442	48.3	11.5
2. Fixed Assets	29,211	42.4	9.7	33,039	41.5	13.1	37,205	41.4	12.6
3. Other Assets	6,228	9.0	19.2	7,600	9.5	22.0	9,278	10.3	22.1
Total Assets	68,900	100.0	14.0	79,607	100.0	15.5	89,925	100.0	13.0

TABLE 4–2

Extractive

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	9,719	62.3	11,175	62.2	15.0	12,251	60.9	9.6
A. Majority Equity of DI	5,593	35.8	7,244	40.3	29.5	7,840	39.0	8.2
B. AFN Liabilities to DI	4,126	26.4	3,931	21.9	−4.7	4,411	21.9	12.2
2. Minority Equity in AFN	207	1.3	213	1.2	2.9	233	1.2	9.4
3. Liabilities to Others	5,679	36.4	6,586	36.6	16.0	7,638	38.0	16.0
A. Short-Term	4,036	25.9	4,671	26.0	15.7	5,312	26.4	13.7
(1) Interest Bearing	904	5.8	1,258	7.0	39.2	1,323	6.6	5.2
(2) Non-Interest Bearing	3,132	20.1	3,413	19.0	9.0	3,989	19.8	16.9
B. Long-Term	1,643	10.5	1,915	10.7	16.6	2,326	11.6	21.5
(1) Interest Bearing	1,003	6.4	1,246	6.9	24.2	1,736	8.6	39.3
(2) Non-Interest Bearing	640	4.1	669	3.7	4.5	590	2.9	−11.8
Total Liabilities Plus Equity	15,606	100.0	17,973	100.0	15.2	20,121	100.0	12.0
1. Current Assets	5,020	32.2	5,662	31.5	12.8	6,573	32.7	16.1
2. Fixed Assets	8,616	55.2	9,765	54.3	13.4	10,909	54.2	11.7
3. Other Assets	1,973	12.6	2,546	14.2	29.0	2,640	13.1	3.7
Total Assets	15,606	100.0	17,973	100.0	15.2	20,121	100.0	12.0

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–70	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	13,356	61.3	9.0	15,123	60.2	13.2	17,195	59.7	13.7
A. Majority Equity of DI	7,768	35.6	−.9	9,229	36.7	18.8	9,930	34.5	7.6
B. AFN Liabilities to DI	5,588	25.6	26.7	5,894	23.5	5.5	7,264	25.2	23.2
2. Minority Equity in AFN	244	1.1	4.7	296	1.2	21.3	324	1.1	9.5
3. Liabilities to Others	8,197	37.6	7.3	9,715	38.7	18.5	11,306	39.2	16.4
A. Short-Term	5,785	26.5	8.9	6,977	27.8	20.6	7,981	27.7	14.4
(1) Interest Bearing	1,489	6.8	12.5	1,997	7.9	32.8	1,748	6.1	−11.6
(2) Non-Interest Bearing	4,296	19.7	7.7	5,000	19.9	16.4	6,233	21.6	24.7
B. Long-Term	2,412	11.1	3.7	2,738	10.9	13.5	3,325	11.5	21.4
(1) Interest Bearing	1,642	7.5	−5.4	1,749	7.0	6.5	2,183	7.6	24.8
(2) Non-Interest Bearing	770	3.5	30.5	990	3.9	28.6	1,142	4.0	15.4
Total Liabilities Plus Equity	21,797	100.0	8.3	25,134	100.0	15.3	28,824	100.0	14.7
1. Current Assets	7,397	33.9	12.5	8,925	35.5	20.7	10,001	34.7	12.1
2. Fixed Assets	11,505	52.8	5.5	12,880	51.2	12.0	14,573	50.6	13.1
3. Other Assets	2,895	13.3	9.7	3,329	13.2	15.0	4,251	14.7	27.7
Total Assets	21,797	100.0	8.3	25,134	100.0	15.3	28,824	100.0	14.7

TABLE 4–3

Manufacturing

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	15,324	55.3	17,140	55.0	11.9	18,731	52.7	9.3
A. Majority Equity of DI	12,583	45.4	13,849	44.4	10.1	15,495	43.6	11.9
B. AFN Liabilities to DI	2,741	9.9	3,290	10.6	20.0	3,236	9.1	−1.6
2. Minority Equity in AFN	865	3.1	1,038	3.3	20.0	1,222	3.4	17.7
3. Liabilities to Others	11,524	41.6	12,997	41.7	12.8	15,568	43.8	19.8
A. Short-Term	8,312	30.0	9,064	29.1	9.0	10,954	30.8	20.9
(1) Interest Bearing	3,187	11.5	3,649	11.7	14.5	4,234	11.9	16.0
(2) Non-Interest Bearing	5,126	18.5	5,415	17.4	5.6	6,719	18.9	24.1
B. Long-Term	3,212	11.6	3,932	12.6	22.4	4,614	13.0	17.3
(1) Interest Bearing	2,389	8.6	2,974	9.5	24.5	3,493	9.8	17.5
(2) Non-Interest Bearing	822	3.0	958	3.1	16.5	1,122	3.2	17.1
Total Liabilities Plus Equity	27,712	100.0	31,174	100.0	12.5	35,521	100.0	13.9
1. Current Assets	14,917	53.8	16,570	53.2	11.1	19,604	55.2	18.3
2. Fixed Assets	10,966	39.6	12,518	40.2	14.2	13,660	38.5	9.1
3. Other Assets	1,829	6.6	2,086	6.7	14.1	2,257	6.4	8.2
Total Assets	27,712	100.0	31,174	100.0	12.5	35,521	100.0	13.9

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	21,206	51.0	13.2	23,539	48.9	11.0	26,360	48.7	12.0
A. Majority Equity of DI	17,390	41.8	12.2	19,509	40.5	12.2	21,853	40.4	12.0
B. AFN Liabilities to DI	3,816	9.2	17.9	4,031	8.4	5.6	4,507	8.3	11.8
2. Minority Equity in AFN	1,343	3.2	9.9	1,533	3.2	14.1	1,579	2.9	3.0
3. Liabilities to Others	19,034	45.8	22.3	23,104	48.0	21.4	26,162	48.4	13.2
A. Short-Term	13,549	32.6	23.7	16,748	34.8	23.6	18,378	34.0	9.7
(1) Interest Bearing	5,033	12.1	18.9	6,727	14.0	33.7	7,307	13.5	8.6
(2) Non-Interest Bearing	8,517	20.5	26.8	10,021	20.8	17.7	11,071	20.5	10.5
B. Long-Term	5,484	13.2	18.9	6,356	13.2	15.9	7,784	14.4	22.5
(1) Interest Bearing	4,063	9.8	16.3	4,603	9.6	13.3	5,715	10.6	24.2
(2) Non-Interest Bearing	1,421	3.4	26.6	1,753	3.6	23.4	2,069	3.8	18.0
Total Liabilities Plus Equity	41,582	100.0	17.1	48,176	100.0	15.9	54,101	100.0	12.3
1. Current Assets	23,480	56.5	19.8	27,031	56.1	15.1	30,386	56.2	12.4
2. Fixed Assets	15,229	36.6	11.5	17,427	36.2	14.4	19,483	36.0	11.8
3. Other Assets	2,873	6.9	27.3	3,718	7.7	29.4	4,231	7.8	13.8
Total Assets	41,582	100.0	17.1	48,176	100.0	15.9	54,101	100.0	12.3

TABLE 4–4

Chemical & Allied

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	3,115	60.5	3,593	60.3	15.3	3,895	57.8	8.4
A. Majority Equity of DI	2,464	47.9	2,766	46.4	12.3	3,092	45.9	11.8
B. AFN Liabilities to DI	652	12.7	827	13.9	26.8	803	11.9	−2.9
2. Minority Equity in AFN	191	3.7	243	4.1	27.2	256	3.8	5.3
3. Liabilities to Others	1,840	35.8	2,124	35.6	15.4	2,590	38.4	21.9
A. Short-Term	1,334	25.9	1,508	25.3	13.0	1,859	27.7	23.3
(1) Interest Bearing	371	7.2	524	8.8	41.2	675	10.0	28.8
(2) Non-Interest Bearing	964	18.7	984	16.5	2.1	1,184	17.6	20.3
B. Long-Term	506	9.8	616	10.3	21.7	731	10.8	18.7
(1) Interest Bearing	420	8.2	519	8.7	23.6	630	9.3	21.4
(2) Non-Interest Bearing	85	1.7	97	1.6	14.1	101	1.5	4.1
Total Liabilities Plus Equity	5,146	100.0	5,959	100.0	15.8	6,742	100.0	13.1
1. Current Assets	2,957	57.5	3,393	56.9	14.7	3,871	57.4	14.1
2. Fixed Assets	1,787	34.7	2,100	35.2	17.5	2,379	35.3	13.3
3. Other Assets	401	7.8	466	7.8	16.2	492	7.3	5.6
Total Assets	5,146	100.0	5,959	100.0	15.8	6,742	100.0	13.1

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	4,387	57.9	12.6	4,788	56.7	9.1	5,235	53.6	9.3
A. Majority Equity of DI	3,522	46.4	13.9	3,911	46.3	11.0	4,318	44.2	10.4
B. AFN Liabilities to DI	865	11.4	7.7	877	10.4	1.4	917	9.4	4.6
2. Minority Equity in AFN	256	3.4	0	275	3.3	7.4	280	2.9	1.8
3. Liabilities to Others	2,941	38.8	13.6	3,377	40.0	14.8	4,250	43.5	25.9
A. Short-Term	2,114	27.9	13.7	2,434	28.8	15.1	3,005	30.8	23.5
(1) Interest Bearing	655	8.6	−3.0	776	9.2	18.5	1,118	11.4	44.1
(2) Non-Interest Bearing	1,459	19.2	23.2	1,658	19.6	13.6	1,887	19.3	13.8
B. Long-Term	827	10.9	13.1	943	11.2	14.0	1,245	12.7	32.0
(1) Interest Bearing	698	9.2	10.8	753	8.9	7.9	988	10.1	31.2
(2) Non-Interest Bearing	128	1.7	26.7	190	2.3	48.4	257	2.6	35.3
Total Liabilities Plus Equity	7,583	100.0	12.5	8,440	100.0	11.3	9,765	100.0	15.7
1. Current Assets	4,344	57.3	12.2	4,880	57.8	12.3	5,775	59.1	18.3
2. Fixed Assets	2,641	34.8	11.0	2,940	34.8	11.3	3,323	34.0	13.0
3. Other Assets	598	7.9	21.5	621	7.4	3.8	668	6.8	7.6
Total Assets	7,583	100.0	12.5	8,440	100.0	11.3	9,765	100.0	15.7

TABLE 4–5

Electrical Machinery

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66-67	$ Millions	% of Total	% Chg. 67-68
1. Value of Direct Investment	1,434	41.5	1,893	42.7	32.0	1,942	38.7	2.6
A. Majority Equity of DI	1,150	33.3	1,471	33.2	27.9	1,573	31.4	6.9
B. AFN Liabilities to DI	283	8.2	422	9.5	49.1	369	7.4	−12.6
2. Minority Equity in AFN	125	3.6	134	3.0	7.2	155	3.1	15.7
3. Liabilities to Others	1,898	54.9	2,410	54.3	27.0	2,917	58.2	21.0
A. Short-Term	1,327	38.4	1,689	38.1	27.3	1,997	39.8	18.2
(1) Interest Bearing	531	15.4	818	18.4	54.0	879	17.5	7.5
(2) Non-Interest Bearing	796	23.0	871	19.6	9.4	1,118	22.3	28.4
B. Long-Term	572	16.5	721	16.2	26.0	920	18.3	27.6
(1) Interest Bearing	366	10.6	477	10.8	30.3	623	12.4	30.6
(2) Non-Interest Bearing	205	5.9	244	5.5	19.0	297	5.9	21.7
Total Liabilities Plus Equity	3,457	100.0	4,437	100.0	28.3	5,014	100.0	13.0
1. Current Assets	2,139	61.9	2,710	61.1	26.7	3,154	62.9	16.4
2. Fixed Assets	1,004	29.0	1,285	29.0	28.0	1,477	29.5	14.9
3. Other Assets	313	9.1	442	10.0	41.2	383	7.6	−13.3
Total Assets	3,457	100.0	4,437	100.0	28.3	5,014	100.0	13.0

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	2,301	39.2	18.5	2,487	35.8	8.1	3,027	38.2	21.7
A. Majority Equity of DI	1,821	31.0	15.8	2,030	29.2	11.5	2,434	30.7	19.9
B. AFN Liabilities to DI	480	8.2	30.1	457	6.6	−4.8	593	7.5	29.8
2. Minority Equity in AFN	163	2.8	5.2	260	3.7	59.5	250	3.2	−3.8
3. Liabilities to Others	3,412	58.1	17.0	4,196	60.4	23.0	4,639	58.6	10.6
A. Short-Term	2,324	39.6	16.4	2,939	42.3	26.5	3,215	40.6	9.4
(1) Interest Bearing	1,054	17.9	19.9	1,371	19.7	30.1	1,287	16.3	−6.1
(2) Non-Interest Bearing	1,271	21.6	13.7	1,567	22.6	23.3	1,928	24.4	23.0
B. Long-Term	1,088	18.5	18.3	1,257	18.1	15.5	1,424	18.0	13.3
(1) Interest Bearing	765	13.0	22.8	881	12.7	15.2	1,013	12.8	15.0
(2) Non-Interest Bearing	323	5.5	8.8	376	5.4	16.4	412	5.2	9.6
Total Liabilities Plus Equity	5,876	100.0	17.2	6,943	100.0	18.2	7,916	100.0	14.0
1. Current Assets	3,681	62.6	16.7	4,453	64.1	21.0	5,177	65.4	16.3
2. Fixed Assets	1,662	28.3	12.5	1,883	27.1	13.3	1,960	24.8	4.1
3. Other Assets	532	9.1	38.9	606	8.7	13.9	779	9.8	28.5
Total Assets	5,876	100.0	17.2	6,943	100.0	18.2	7,916	100.0	14.0

TABLE 4–6

Non-Electrical Machinery

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971

All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	2,722	62.1	2,874	61.1	5.6	3,145	58.2	9.4
A. Majority Equity of DI	2,165	49.4	2,247	47.7	3.8	2,568	47.5	14.3
B. AFN Liabilities to DI	557	12.7	627	13.3	12.6	577	10.7	−8.0
2. Minority Equity in AFN	51	1.2	53	1.1	3.9	58	1.1	9.4
3. Liabilities to Others	1,610	36.7	1,780	37.8	10.6	2,105	20.8	23.9
A. Short-Term	1,250	28.5	1,318	28.0	5.4	1,632	30.2	23.8
(1) Interest Bearing	490	11.2	504	10.7	2.9	627	11.6	24.4
(2) Non-Interest Bearing	760	17.3	814	17.3	7.1	1,005	18.6	23.5
B. Long-Term	360	8.2	462	9.8	28.3	573	10.6	24.0
(1) Interest Bearing	265	6.0	343	7.3	29.4	428	7.9	24.8
(2) Non-Interest Bearing	95	2.2	119	2.5	25.3	145	2.7	21.8
Total Liabilities Plus Equity	4,383	100.0	4,707	100.0	7.4	5,408	100.0	14.9
1. Current Assets	2,451	55.9	2,629	55.9	7.3	3,184	58.9	21.1
2. Fixed Assets	1,721	39.3	1,908	40.5	10.9	1,998	36.9	4.7
3. Other Assets	211	4.8	171	3.6	−19.0	227	4.2	32.7
Total Assets	4,383	100.0	4,707	100.0	7.4	5,408	100.0	14.9

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	3,838	57.1	22.0	4,252	52.4	10.8	4,950	55.5	16.4
A. Majority Equity of DI	3,141	46.9	22.6	3,396	41.9	7.8	4,007	45.0	18.0
B. AFN Liabilities to DI	689	10.3	19.4	855	10.5	24.1	943	10.6	10.3
2. Minority Equity in AFN	53	.8	−8.6	54	.7	1.9	63	.7	16.7
3. Liabilities to Others	2,826	42.1	28.2	3,803	46.9	34.6	3,899	43.8	2.5
A. Short-Term	2,113	31.5	29.5	3,004	37.0	42.2	2,876	32.3	−4.3
(1) Interest Bearing	775	11.5	23.6	1,230	15.2	58.7	1,054	11.8	−14.3
(2) Non-Interest Bearing	1,338	19.9	33.1	1,774	21.9	32.6	1,821	20.4	2.6
B. Long-Term	712	10.6	24.3	799	9.9	12.2	1,023	11.5	28.0
(1) Interest Bearing	513	7.6	19.9	550	6.8	7.2	700	7.9	27.3
(2) Non-Interest Bearing	199	3.0	37.2	249	3.1	25.1	323	3.6	29.7
Total Liabilities Plus Equity	6,716	100.0	24.2	8,108	100.0	20.7	8,911	100.0	9.9
1. Current Assets	4,075	60.7	28.0	4,816	59.4	18.2	4,995	56.1	3.7
2. Fixed Assets	2,319	34.5	16.1	2,953	36.4	27.3	3,508	39.4	18.8
3. Other Assets	323	4.8	42.3	339	4.2	5.0	408	4.6	20.4
Total Assets	6,716	100.0	24.2	8,108	100.0	20.7	8,911	100.0	9.9

TABLE 4–7

Transportation Equipment
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	2,636	48.6	2,832	48.1	7.4	3,021	47.6	6.7
A. Majority Equity of DI	2,283	42.1	2,399	40.8	5.1	2,601	41.0	8.4
B. AFN Liabilities to DI	353	6.5	433	7.4	22.7	420	6.6	−3.0
2. Minority Equity in AFN	96	1.8	181	3.1	88.5	176	2.8	−2.8
3. Liabilities to Others	2,695	49.6	2,873	48.8	6.6	3,149	49.6	9.6
A. Short-Term	2,076	38.2	2,044	34.7	−1.5	2,365	37.3	15.7
(1) Interest Bearing	934	17.2	837	14.2	−10.4	888	14.0	6.1
(2) Non-Interest Bearing	1,142	21.0	1,207	20.5	5.7	1,477	23.3	22.4
B. Long-Term	619	11.4	829	14.1	33.9	784	12.4	−5.4
(1) Interest Bearing	425	7.8	600	10.2	41.2	523	8.2	−12.8
(2) Non-Interest Bearing	194	3.6	229	3.9	18.0	261	4.1	14.0
Total Liabilities Plus Equity	5,428	100.0	5,886	100.0	8.4	6,346	100.0	7.8
1. Current Assets	2,820	52.0	2,794	47.5	−.9	3,242	51.1	16.0
2. Fixed Assets	2,485	45.8	2,857	48.5	15.0	2,854	45.0	−.1
3. Other Assets	123	2.3	234	4.0	90.2	249	3.9	6.4
Total Assets	5,428	100.0	5,886	100.0	8.4	6,346	100.0	7.8

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	3,407	46.1	12.8	3,604	44.7	5.8	3,941	44.8	9.4
A. Majority Equity of DI	2,899	39.3	11.5	3,055	37.9	5.4	3,242	36.9	6.1
B. AFN Liabilities to DI	508	6.9	21.0	549	6.8	8.1	699	7.9	27.3
2. Minority Equity in AFN	159	2.2	−9.7	154	1.9	−3.1	114	1.3	−26.0
3. Liabilities to Others	3,817	51.7	21.2	4,310	53.4	12.9	4,738	53.9	9.9
A. Short-Term	2,959	40.1	25.1	3,325	41.2	12.4	3,502	39.8	5.3
(1) Interest Bearing	1,100	14.9	23.9	1,303	16.2	18.5	1,390	15.8	6.7
(2) Non-Interest Bearing	1,858	25.2	25.8	2,022	25.1	8.8	2,112	24.0	4.5
B. LongITerm	858	11.6	9.4	984	12.2	14.7	1,236	14.1	25.6
(1) Interest Bearing	541	7.3	3.4	653	8.1	20.7	895	10.2	37.1
(2) Non-Interest Bearing	317	4.3	21.5	332	4.1	4.7	341	3.9	2.7
Total Liabilities Plus Equity	7,383	100.0	16.3	8,067	100.0	9.3	8,793	100.0	9.0
1. Current Assets	4,157	56.3	28.2	4,386	54.4	5.5	4,866	55.3	10.9
2. Fixed Assets	2,958	40.1	3.6	3,185	39.5	7.7	3,411	38.8	7.1
3. Other Assets	269	3.6	8.0	497	6.2	84.8	516	5.9	3.8
Total Assets	7,383	100.0	16.3	8,067	100.0	9.3	8,793	100.0	9.0

TABLE 4–8

Other Manufacturing
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	5,416	58.2	5,947	58.4	9.8	6,727	56.0	13.1
A. Majority Equity of DI	4,520	48.6	4,966	48.8	9.9	5,661	47.1	14.0
B. AFN Liabilities to DI	896	9.6	982	9.6	9.6	1,067	8.9	8.7
2. Minority Equity in AFN	402	4.3	427	4.2	6.2	577	4.8	35.1
3. Liabilities to Others	3,480	37.4	3,810	37.4	9.5	4,706	39.2	23.5
A. Short-Term	2,325	25.0	2,506	24.6	7.8	3,100	25.8	23.7
(1) Interest Bearing	861	9.3	966	9.5	12.2	1,165	9.7	20.6
(2) Non-Interest Bearing	1,464	15.7	1,540	15.1	5.2	1,935	16.1	25.6
B. Long-Term	1,156	12.4	1,304	12.8	12.8	1,606	13.4	23.2
(1) Interest Bearing	912	9.8	1,035	10.2	13.5	1,288	10.7	24.4
(2) Non-Interest Bearing	243	2.6	269	2.6	10.7	318	2.6	18.2
Total Liabilities Plus Equity	9,298	100.0	10,185	100.0	9.5	12,011	100.0	17.9
1. Current Assets	4,550	48.9	5,044	49.5	10.9	6,153	51.2	22.0
2. Fixed Assets	3,968	42.7	4,368	42.9	10.1	4,952	41.2	13.4
3. Other Assets	781	8.4	772	7.6	−1.2	906	7.5	17.4
Total Assets	9,298	100.0	10,185	100.0	9.5	12,011	100.0	17.9

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	7,274	51.9	8.1	8,408	50.6	15.6	9,208	49.2	9.5.
A. Majority Equity of DI	6,000	42.8	6.0	7,116	42.8	18.6	7,853	42.0	10.4
B. AFN Liabilities to DI	1,274	9.1	19.4	1,292	7.8	1.4	1,355	7.2	4.9
2. Minority Equity in AFN	713	5.1	23.6	790	4.8	10.8	871	4.7	10.3
3. Liabilities to Others	6,038	43.1	28.3	7,419	44.6	22.9	8,636	46.1	16.4
A. Short-Term	4,039	28.8	30.3	5,046	30.4	24.9	5,781	30.9	14.6
(1) Interest Bearing	1,448	10.3	24.3	2,047	12.3	41.4	2,458	13.1	20.1
(2) Non-Interest Bearing	2,590	18.5	33.9	2,999	18.0	15.8	3,322	17.8	10.8
B. Long-Term	1,999	14.3	24.5	2,373	14.3	18.7	2,855	15.3	20.3
(1) Interest Bearing	1,546	11.0	20.0	1,766	10.6	14.2	2,120	11.3	20.0
(2) Non-Interest Bearing	453	3.2	42.5	607	3.7	34.0	735	3.9	21.1
Total Liabilities Plus Equity	14,024	100.0	16.8	16,617	100.0	18.5	18,715	100.0	12.6
1. Current Assets	7,224	51.5	17.4	8,496	51.1	17.6	9,572	51.1	12.7
2. Fixed Assets	5,650	40.3	14.1	6,465	38.9	14.4	7,282	38.9	12.6
3. Other Assets	1,151	8.2	27.0	1,656	10.0	43.9	1,860	9.9	12.3
Total Assets	14,024	100.0	16.8	16,617	100.0	18.5	18,715	100.0	12.6

TABLE 4–9

Other

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971

All Schedules (Excluding Canada)

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	1,982	56.5	2,162	55.8	9.1	2,615	54.8	21.0
A. Majority Equity of DI	1,591	45.3	1,801	46.5	13.2	2,210	46.3	22.7
B. AFN Liabilities to DI	391	11.1	361	9.3	−7.7	406	8.5	12.5
2. Minority Equity in AFN	263	7.5	288	7.4	9.5	324	6.8	12.5
3. Liabilities to Others	1,265	36.0	1,426	36.8	12.7	1,832	38.4	28.5
A. Short-Term	926	26.4	1,026	26.5	10.8	1,349	28.3	31.5
(1) Interest Bearing	318	9.1	303	7.8	−4.7	417	8.7	37.6
(2) Non-Interest Bearing	607	17.3	723	18.7	19.1	932	19.5	28.9
B. Long-Term	340	9.7	400	10.3	17.6	483	10.1	20.7
(1) Interest Bearing	252	7.2	316	8.2	25.4	370	7.8	17.1
(2) Non-Interest Bearing	88	2.5	84	2.2	−4.5	113	2.4	34.5
Total Liabilities Plus Equity	3,510	100.0	3,876	100.0	10.4	4,772	100.0	23.1
1. Current Assets	1,706	48.6	1,922	49.6	12.7	2,394	50.2	24.6
2. Fixed Assets	1,494	42.6	1,717	44.3	14.9	2,051	43.0	19.5
3. Other Assets	310	8.8	236	6.1	−23.9	327	6.9	38.6
Total Assets	3,510	100.0	3,876	100.0	10.4	4,772	100.0	23.1

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	2,969	53.8	13.5	3,418	54.3	15.1	3,760	52.4	7.4
A. Majority Equity of DI	2,363	42.8	6.9	2,637	41.9	11.6	2,735	39.1	3.7
B. AFN Liabilities to DI	606	11.0	49.3	780	12.4	28.7	936	13.4	20.0
2. Minority Equity in AFN	291	5.3	−10.2	294	4.7	1.0	302	4.3	2.7
3. Liabilities to Others	2,261	41.0	23.4	2,585	41.1	14.3	3,027	43.2	17.1
A. Short-Term	1,690	30.6	25.3	1,842	29.3	9.0	1,979	28.3	7.4
(1) Interest Bearing	564	10.2	35.3	629	10.0	11.5	658	9.4	4.6
(2) Non-Interest Bearing	1,125	20.4	20.7	1,213	19.3	7.8	1,321	18.9	8.9
B. Long-Term	571	10.3	18.2	744	11.8	30.3	1,049	15.0	41.0
(1) Interest Bearing	445	8.1	20.3	572	9.1	28.5	804	11.5	40.6
(2) Non-Interest Bearing	126	2.3	11.5	171	2.7	35.7	245	3.5	43.3
Total Liabilities Plus Equity	5,521	100.0	15.7	6,297	100.0	14.1	7,000	100.0	11.2
1. Current Assets	2,584	46.8	7.9	3,012	47.8	16.6	3,056	43.7	1.5
2. Fixed Assets	2,477	44.9	20.8	2,732	43.4	10.3	3,149	45.0	15.3
3. Other Assets	460	8.3	40.7	552	8.8	20.0	795	11.4	44.0
Total Assets	5,521	100.0	15.7	6,297	100.0	14.1	7,000	100.0	11.2

TABLE 4–10

All Industries
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	9,486	62.7	10,650	62.1	12.3	11,444	61.6	7.5
A. Majority Equity of DI	7,330	48.4	8,266	48.2	12.8	9,006	48.5	9.0
B. AFN Liabilities to DI	2,156	14.2	2,384	13.9	10.6	2,438	13.1	2.3
2. Minority Equity in AFN	1,066	7.0	1,179	6.9	10.6	1,150	6.2	−2.5
3. Liabilities to Others	4,581	30.3	5,310	31.0	15.9	5,981	32.2	12.6
A. Short-Term	2,645	17.5	2,951	17.2	11.6	3,502	18.9	18.7
(1) Interest Bearing	712	4.7	928	5.4	30.3	1,066	5.7	14.9
(2) Non-Interest Bearing	1,933	12.8	2,023	11.8	4.7	2,436	13.1	20.4
B. Long-Term	1,936	12.8	2,359	13.8	21.8	2,479	13.3	5.1
(1) Interest Bearing	1,531	10.1	1,872	10.9	22.3	1,909	10.3	2.0
(2) Non-Interest Bearing	405	2.7	487	2.8	20.2	571	3.1	17.2
Total Liabilities Plus Equity	15,133	100.0	17,138	100.0	13.2	18,575	100.0	8.4
1. Current Assets	6,285	41.5	7,281	42.5	15.8	8,040	43.3	10.4
2. Fixed Assets	7,867	52.0	8,781	51.2	11.6	9.509	51.2	8.3
3. Other Assets	981	6.5	1,076	6.3	9.7	1,026	5.5	−4.6
Total Assets	15,133	100.0	17,138	100.0	13.2	18,575	100.0	8.4

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	12,343	61.2	7.9	13,321	61.7	7.9	14,395	60.8	8.1
A. Majority Equity of DI	9,990	49.5	10.9	11,065	51.2	10.8	12,213	51.6	10.4
B. AFN Liabilities to DI	2,353	11.7	−3.5	2,256	10.4	−4.1	2,182	9.2	−3.3
2. Minority Equity in AFN	1,200	5.9	4.3	1,262	5.8	5.2	1,376	5.8	9.0
3. Liabilities to Others	6,630	32.9	10.9	7,009	32.5	5.7	7,909	33.4	12.8
A. Short-Term	3,894	19.3	11.2	3,957	18.3	1.6	4,395	18.6	11.1
(1) Interest Bearing	1,388	6.9	30.2	1,380	6.4	−.6	1,318	5.6	−4.5
(2) Non-Interest Bearing	2,506	12.4	2.9	2,577	11.9	2.8	3,077	13.0	19.4
B. Long-Term	2,736	13.6	10.4	3,052	14.1	11.5	3,515	14.8	15.2
(1) Interest Bearing	1,956	9.7	2.5	2,141	9.9	9.5	2,486	10.5	16.1
(2) Non-Interest Bearing	780	3.9	36.6	911	4.2	16.8	1,028	4.3	12.8
Total Liabilities Plus Equity	20,173	100.0	8.6	21,592	100.0	7.0	23,680	100.0	9.7
1. Current Assets	8,548	42.4	6.3	8,948	41.4	4.7	9,937	42.0	11.1
2. Fixed Assets	10,329	51.2	8.6	11,370	52.7	10.1	12,346	52.1	8.6
3. Other Assets	1,297	6.4	26.4	1,273	5.0	−1.9	1,397	5.9	9.7
Total Assets	20,173	100.0	8.6	21,592	100.0	7.0	23,680	100.0	9.7

TABLE 4–11

Extractive
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	3,115	65.7	3,364	64.5	8.0	3,553	61.1	5.6
A. Majority Equity of DI	2,309	48.7	2,541	48.8	10.0	2,635	45.3	3.7
B. AFN Liabilities to DI	806	17.0	823	15.8	2.1	918	15.8	11.5
2. Minority Equity in AFN	614	12.9	675	13.0	9.9	690	11.9	2.2
3. Liabilities to Others	1,015	21.4	1,174	22.5	15.7	1,570	27.0	33.7
A. Short-Term	449	9.5	510	9.8	13.6	738	12.7	44.7
(1) Interest Bearing	39	.8	38	.7	−2.6	99	1.7	160.5
(2) Non-Interest Bearing	410	8.6	472	9.1	15.1	639	11.0	35.4
B. Long-Term	566	11.9	664	12.7	17.3	833	14.3	25.5
(1) Interest Bearing	464	9.8	545	10.5	17.5	667	11.5	22.4
(2) Non-Interest Bearing	102	2.2	119	2.3	16.7	165	2.8	38.7
Total Liabilities Plus Equity	4,744	100.0	5,212	100.0	9.9	5,814	100.0	11.6
1. Current Assets	1,118	23.6	1,275	24.5	14.0	1,407	24.2	10.4
2. Fixed Assets	3,330	70.2	3,628	69.6	8.9	4,105	70.6	13.1
3. Other Assets	296	6.2	310	5.9	4.7	339	5.2	−2.3
Total Assets	4,744	100.0	5,212	100.0	9.9	5,814	100.0	11.6

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	3,748	59.7	5.5	4,111	59.7	9.7	4,502	58.3	9.5
A. Majority Equity of DI	2,789	44.5	5.8	3,340	48.5	19.8	3,817	49.4	14.3
B. AFN Liabilities to DI	959	15.3	4.5	771	11.2	−19.6	685	8.9	−11.2
2. Minority Equity in AFN	708	11.3	2.6	769	11.2	8.6	854	11.1	11.1
3. Liabilities to Others	1,818	29.0	15.8	2,002	29.1	10.1	2,370	30.7	18.4
A. Short-Term	806	12.8	9.2	935	13.6	16.0	1,054	13.6	12.7
(1) Interest Bearing	78	1.2	−21.2	121	1.8	55.1	140	1.8	15.7
(2) Non-Interest Bearing	729	11.6	14.1	814	11.8	11.7	914	11.8	12.3
B. Long-Term	1,012	16.1	21.5	1,067	15.5	5.4	1,317	17.0	23.4
(1) Interest Bearing	736	11.7	10.3	757	11.0	2.9	953	12.3	25.9
(2) Non-Interest Bearing	276	4.4	67.3	310	4.5	12.3	364	4.7	17.4
Total Liabilities Plus Equity	6,274	100.0	7.9	6,882	100.0	9.7	7,727	100.0	12.3
1. Current Assets	1,580	25.2	12.3	1,750	25.4	10.8	1,996	25.8	14.1
2. Fixed Assets	4,369	69.6	6.4	4,782	69.5	9.5	5,330	69.0	11.5
3. Other Assets	325	5.2	7.3	350	5.1	7.7	400	5.2	14.3
Total Assets	6,274	100.0	7.9	6,882	100.0	9.7	7,727	100.0	12.3

TABLE 4–12

Manufacturing
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	5,685	60.6	6,383	60.2	12.3	6,848	61.0	7.3
A. Majority Equity of DI	4,462	47.6	4,951	46.7	11.0	5,473	48.7	10.5
B. AFN Liabilities to DI	1,223	13.0	1,432	13.5	17.1	1,375	12.2	−4.0
2. Minority Equity in AFN	435	4.6	471	4.4	8.3	422	3.8	−10.4
3. Liabilities to Others	3,257	34.7	3,742	35.3	14.9	3,961	35.3	5.9
A. Short-Term	1,975	21.1	2,199	20.8	11.3	2,485	22.1	13.0
(1) Interest Bearing	630	6.7	855	8.1	35.7	905	8.1	5.8
(2) Non-Interest Bearing	1,346	14.4	1,343	12.7	−.2	1,579	14.1	17.6
B. Long-Term	1,282	13.7	1,543	14.6	20.4	1,477	13.2	−4.3
(1) Interest Bearing	997	10.6	1,216	11.5	22.0	1,125	10.0	−7.5
(2) Non-Interest Bearing	286	3.1	327	3.1	14.3	352	3.1	7.6
Total Liabilities Plus Equity	9,377	100.0	10,596	100.0	13.0	11,231	100.0	6.0
1. Current Assets	4,670	49.8	5,343	50.4	14.4	5,888	52.4	10.2
2. Fixed Assets	4,111	43.8	4,563	43.1	11.0	4,704	41.9	3.1
3. Other Assets	597	6.4	690	6.5	15.6	639	5.7	−7.4
Total Assets	9,377	100.0	10,596	100.0	13.0	11,231	100.0	6.0

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	7,409	61.1	8.2	7,822	61.6	5.6	8,362	60.8	6.9
A. Majority Equity of DI	6,199	51.1	13.3	6,582	51.8	6.2	7,194	52.3	9.3
B. AFN Liabilities to DI	1,209	10.0	−12.1	1,241	9.8	2.6	1,168	8.5	−5.9
2. Minority Equity in AFN	455	3.8	7.8	456	3.6	.2	484	3.5	6.1
3. Liabilities to Others	4,265	35.2	7.7	4,417	34.8	3.6	4,898	35.6	10.9
A. Short-Term	2,757	22.7	10.9	2,661	21.0	−3.5	2,963	21.6	11.3
(1) Interest Bearing	1,207	10.0	33.4	1,136	8.9	−5.9	1,070	7.8	−5.8
(2) Non-Interest Bearing	1,551	12.8	−1.8	1,524	12.0	−1.7	1,893	13.8	24.2
B. Long-Term	1,507	12.4	2.0	1,756	13.8	16.5	1,935	14.1	10.2
(1) Interest Bearing	1,054	8.7	−6.3	1,201	9.5	13.9	1,328	9.7	10.6
(2) Non-Interest Bearing	453	3.7	28.7	555	4.4	22.5	607	4.4	9.4
Total Liabilities Plus Equity	12,128	100.0	8.0	12,695	100.0	4.7	13,744	100.0	8.3
1. Current Assets	6,195	51.1	5.2	6,299	49.6	1.7	6,959	50.6	10.5
2. Fixed Assets	5,134	42.3	9.1	5,621	44.3	9.5	5,955	43.3	5.9
3. Other Assets	800	6.6	25.2	776	6.1	−3.0	829	6.0	6.8
Total Assets	12,128	100.0	8.0	12,695	100.0	4.7	13,744	100.0	8.3

TABLE 4–13

Chemical & Allied
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	Chg. % 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	1,099	59.8	1,226	61.5	11.6	1,231	65.5	.4
A. Major Equity of DI	939	51.1	1,030	51.6	9.7	1,071	57.0	4.0
B. AFN Liabilities to DI	160	8.7	196	9.8	22.5	160	8.5	−18.4
2. Minority Equity in AFN	144	7.8	165	8.3	14.6	126	6.7	−23.6
3. Liabilities to Others	594	32.3	605	30.3	1.9	522	27.8	−13.7
A. Short-Term	256	13.9	239	12.0	−6.6	269	14.3	12.6
(1) Interest Bearing	71	3.9	44	2.2	−38.0	67	3.6	52.3
(2) Non-Interest Bearing	185	10.1	195	9.8	5.4	201	10.7	3.1
B. Long-Term	339	18.4	365	18.3	7.7	254	13.5	−30.4
(1) Interest Bearing	251	13.7	252	12.6	.4	162	8.6	−35.7
(2) Non-Interest Bearing	87	4.7	113	5.7	29.9	92	4.9	−18.6
Total Liabilities Plus Equity	1,838	100.0	1,995	100.0	8.5	1,880	100.0	−5.8
1. Current Assets	738	40.2	761	38.1	3.1	800	42.6	5.1
2. Fixed Assets	982	53.4	1,043	52.3	6.2	919	48.9	−11.9
3. Other Assets	118	6.4	191	9.6	61.9	161	8.6	−15.7
Total Assets	1,838	100.0	1,995	100.0	8.5	1,880	100.0	−5.8

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	1,285	66.2	4.4	1,438	65.4	11.9	1,565	65.9	8.8
A. Majority Equity of DI	1,122	57.8	4.8	1,243	56.5	10.8	1,332	56.1	7.2
B. AFN Liabilities to DI	163	8.4	1.9	194	8.8	19.0	233	9.8	20.1
2. Minority Equity in AFN	130	6.7	3.2	127	5.8	−2.3	130	5.5	2.4
3. Liabilities to Others	525	27.1	.6	635	28.9	21.0	680	28.6	7.1
A. Short-Term	288	14.8	7.1	330	15.0	14.6	366	15.4	10.9
(1) Interest Bearing	87	4.5	29.9	134	6.1	54.0	124	5.2	−7.5
(2) Non-Interest Bearing	201	10.4	0	196	8.9	−2.5	242	10.2	23.5
B. Long-Term	237	12.2	−6.7	306	13.9	29.1	314	13.2	2.6
(1) Interest Bearing	144	7.4	−11.1	202	9.2	40.3	188	7.9	−6.9
(2) Non-Interest Bearing	94	4.8	2.2	104	4.7	10.6	126	5.3	21.2
Total Liabilities Plus Equity	1,940	100.0	3.2	2,200	100.0	13.4	2,375	100.0	8.0
1. Current Assets	836	43.1	4.5	945	43.0	13.0	1,065	44.8	12.7
2. Fixed Assets	944	48.7	2.7	1,081	49.1	14.5	1,116	47.0	3.2
3. Other Assets	160	8.2	−.6	174	7.9	8.7	193	8.1	10.9
Total Assets	1,940	100.0	3.2	2,200	100.0	13.4	2,375	100.0	8.0

TABLE 4–14

Electrical Machinery
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	666	50.5	975	53.0	46.4	1,153	57.2	18.3
A. Majority Equity of DI	566	42.9	692	37.6	22.3	798	39.6	15.3
B. AFN Liabilities to DI	100	7.6	283	15.4	183.0	356	17.7	25.8
2. Minority Equity in AFN	104	7.9	112	6.1	7.7	116	5.8	3.6
3. Liabilities to Others	549	41.6	754	41.0	37.3	747	37.1	−.9
A. Short-Term	287	21.8	388	21.1	35.2	417	20.7	7.5
(1) Interest Bearing	88	6.7	154	8.4	75.0	150	7.4	−2.6
(2) Non-Interest Bearing	199	15.1	234	12.7	17.6	267	13.2	14.1
B. Long-Term	262	19.9	366	19.9	39.7	329	16.3	−10.1
(1) Interest Bearing	234	17.7	355	19.3	51.7	306	15.2	−13.8
(2) Non-Interest Bearing	28	2.1	11	.6	−60.7	24	1.2	118.2
Total Liabilities Plus Equity	1,319	100.0	1,841	100.0	39.6	2,016	100.0	9.5
1. Current Assets	601	45.6	935	50.8	55.6	1,028	51.0	9.9
2. Fixed Assets	665	50.4	781	42.4	17.4	923	45.8	18.2
3. Other Assets	54	4.1	125	6.8	131.5	65	3.2	−48.0
Total Assets	1,319	100.0	1,841	100.0	39.6	2,016	100.0	9.5

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	1,053	52.5	−8.7	988	48.4	−6.2	1,030	46.9	4.3
A. Majority Equity of DI	861	43.0	7.9	821	40.2	−4.6	895	40.8	9.0
B. AFN Liabilities to DI	192	9.6	−46.1	167	8.2	−13.0	135	6.2	−19.2
2. Minority Equity in AFN	126	6.3	8.6	124	6.1	−1.6	142	6.5	14.5
3. Liabilities to Others	825	41.2	10.4	928	45.5	12.5	1,023	46.6	10.2
A. Short-Term	439	21.9	5.3	427	20.9	−2.7	427	19.5	0
(1) Interest Bearing	215	10.7	43.3	168	8.2	−21.9	129	5.9	−23.2
(2) Non-Interest Bearing	224	11.2	−16.1	259	12.7	15.6	299	13.6	15.4
B. Long-Term	385	19.2	17.0	501	24.6	30.1	595	27.1	18.8
(1) Interest Bearing	306	15.3	0	382	18.7	24.8	463	21.1	21.2
(2) Non-Interest Bearing	79	3.9	229.2	119	5.8	50.6	132	6.0	10.9
Total Liabilities Plus Equity	2,004	100.0	−.6	2,040	100.0	1.8	2,194	100.0	7.5
1. Current Assets	847	42.3	−17.6	829	40.6	−2.1	889	40.5	7.2
2. Fixed Assets	1,024	51.1	10.9	1,115	54.7	8.9	1,226	55.9	10.0
3. Other Assets	133	6.6	104.6	96	4.7	−27.8	79	3.6	−17.7
Total Assets	2,004	100.0	−.6	2,040	100.0	1.8	2,194	100.0	7.5

TABLE 4–15

Non-Electrical Machinery
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 16–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	567	68.1	608	65.5	7.2	648	64.9	6.6
A. Majority Equity of DI	434	52.2	481	51.8	10.8	516	51.7	7.3
B. AFN Liabilities to DI	133	16.0	126	13.6	−5.3	133	13.3	5.6
2. Minority Equity in AFN	5	.6	12	1.3	140.0	12	1.2	0
3. Liabilities to Others	261	31.4	308	33.2	18.0	339	33.9	10.1
A. Short-Term	183	22.0	209	22.5	14.2	241	24.1	15.3
(1) Interest Bearing	94	11.3	130	14.0	38.3	136	13.6	4.6
(2) Non-Interest Bearing	89	10.7	79	8.5	−11.2	105	10.5	32.9
B. Long-Term	77	9.3	98	10.6	27.3	98	9.8	0
(1) Interest Bearing	73	8.8	91	9.8	24.7	95	9.5	4.4
(2) Non-Interest Bearing	5	.6	7	.8	40.0	4	.4	−42.9
Total Liabilities Plus Equity	832	100.0	928	100.0	11.5	999	100.0	7.7
1. Current Assets	532	63.9	577	62.2	8.5	651	65.2	12.8
2. Fixed Assets	252	30.3	301	32.4	19.4	287	28.7	−4.7
3. Other Assets	48	5.8	50	5.4	4.2	61	6.1	22.0
Total Assets	832	100.0	928	100.0	11.5	999	100.0	7.7

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	768	65.6	18.5	727	62.2	−5.3	813	64.0	11.8
A. Majority Equity of DI	626	53.5	21.3	630	53.9	.6	711	56.0	12.9
B. AFN Liabilities to DI	142	12.1	6.8	97	8.3	−31.7	103	8.1	6.2
2. Minority Equity in AFN	11	.9	−8.3	8	.7	−27.3	8	.6	0
3. Liabilities to Others	392	33.5	15.6	434	37.2	10.7	448	35.3	3.2
A. Short-Term	307	26.2	27.4	363	31.1	18.2	353	27.8	−2.8
(1) Interest Bearing	179	15.3	31.6	235	20.1	31.3	200	15.7	−14.9
(2) Non-Interest Bearing	128	10.9	21.9	128	11.0	0	153	12.0	19.5
B. Long-Term	85	7.3	−13.3	71	6.1	−16.5	95	7.5	33.8
(1) Interest Bearing	79	6.7	−16.8	62	5.3	−21.5	88	6.9	41.9
(2) Non-Interest Bearing	6	.5	50.0	9	.8	50.0	7	.6	−22.2
Total Liabilities Plus Equity	1,171	100.0	17.2	1,168	100.0	−.3	1,270	100.0	8.7
1. Current Assets	770	65.8	18.3	745	63.8	−3.2	800	63.0	7.4
2. Fixed Assets	320	27.3	11.5	332	28.4	3.7	379	29.8	14.2
3. Other Assets	82	7.0	34.4	92	7.9	12.2	91	7.2	−1.1
Total Assets	1,171	100.0	17.2	1,168	100.0	−.3	1,270	100.0	8.7

TABLE 4–16

Transportation Equipment
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	1,041	57.8	1,108	54.4	6.4	1,122	50.7	1.3
A. Majority Equity of DI	629	34.9	751	36.9	19.4	882	39.8	17.4
B. AFN Liabilities to DI	412	22.9	358	17.6	−13.1	240	10.8	−33.0
2. Minority Equity in AFN	52	2.9	53	2.6	1.9	55	2.5	3.8
3. Liabilities to Others	706	39.2	875	43.0	23.9	1,038	46.9	18.6
A. Short-Term	631	35.1	740	36.3	17.3	896	40.5	21.1
(1) Interest Bearing	192	10.7	323	15.9	68.2	373	16.8	15.5
(2) Non-Interest Bearing	439	24.4	417	20.5	−5.0	523	23.6	25.4
B. Long-Term	75	4.2	135	6.6	80.0	142	6.4	5.2
(1) Interest Bearing	22	1.2	58	2.8	163.6	50	2.3	−13.8
(2) Non-Interest Bearing	53	2.9	77	3.8	45.3	92	4.2	19.5
Total Liabilities Plus Equity	1,800	100.0	2,036	100.0	13.1	2,215	100.0	8.8
1. Current Assets	1,182	65.7	1,339	65.8	13.3	1,509	68.1	12.7
2. Fixed Assets	584	32.4	641	31.5	9.8	647	29.2	.9
3. Other Assets	33	1.8	57	2.8	72.7	59	2.7	3.5
Total Assets	1,800	100.0	2,036	100.0	13.1	2,215	100.0	8.8

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	1,342	52.8	19.6	1,471	61.3	9.6	1,398	54.6	−5.0
A. Majority Equity of DI	1,085	42.7	23.0	1,115	46.5	2.8	1,261	49.3	13.1
B. AFN Liabilities to DI	257	10.1	7.1	356	14.8	38.5	137	5.4	−61.5
2. Minority Equity in AFN	86	3.4	56.4	85	3.5	−1.2	89	3.5	4.7
3. Liabilities to Others	1,114	43.8	7.3	842	35.1	−24.4	1,073	41.9	27.4
A. Short-Term	980	38.6	9.4	665	27.7	−32.1	794	31.0	19.4
(1) Interest Bearing	499	19.6	33.8	297	12.4	−40.5	216	8.4	−27.3
(2) Non-Interest Bearing	481	18.9	−8.0	368	15.3	−23.5	578	22.6	57.1
B. Long-Term	134	5.3	−5.6	177	7.4	32.1	279	10.9	57.6
(1) Interest Bearing	45	1.8	−10.0	55	2.3	22.2	170	6.6	209.1
(2) Non-Interest Bearing	89	3.5	−3.3	121	5.0	36.0	109	4.3	−9.9
Total Liabilities Plus Equity	2,542	100.0	14.8	2,398	100.0	−5.7	2,559	100.0	6.7
1. Current Assets	1,738	68.4	15.2	1,478	61.6	−15.0	1,718	67.1	16.2
2. Fixed Assets	760	29.9	17.5	860	35.9	13.2	769	30.1	−10.6
3. Other Assets	44	1.7	−25.4	60	2.5	36.4	72	2.8	20.0
Total Assets	2,542	100.0	14.8	2,398	100.0	−5.7	2,559	100.0	6.7

TABLE 4–17

Other Manufacturing
Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971
Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	2,312	64.4	2,466	65.0	6.7	2,692	65.3	9.2
A. Majority Equity of DI	1,894	52.8	1,997	52.6	5.4	2,207	53.6	10.5
B. AFN Liabilities to DI	418	11.6	469	12.4	12.2	485	11.8	3.4
2. Minority Equity in AFN	129	3.6	129	3.4	0	114	2.8	−11.6
3. Liabilities to Others	1,148	32.0	1,201	31.6	4.6	1,315	31.9	9.5
A. Short-Term	619	17.2	622	16.4	.5	662	16.1	6.4
(1) Interest Bearing	185	5.2	205	5.4	10.8	180	4.4	−12.2
(2) Non-Interest Bearing	433	12.1	418	11.0	−3.5	483	11.7	15.6
B. Long-Term	529	14.7	579	15.3	9.5	653	15.8	12.8
(1) Interest Bearing	417	11.6	460	12.1	10.3	513	12.4	11.5
(2) Non-Interest Bearing	112	3.1	119	3.1	6.3	140	3.4	17.6
Total Liabilities Plus Equity	3,589	100.0	3,796	100.0	5.8	4,121	100.0	8.6
1. Current Assets	1,617	45.1	1,732	45.6	7.1	1,901	46.1	9.8
2. Fixed Assets	1,628	45.4	1,797	47.3	10.4	1,928	46.8	7.3
3. Other Assets	344	9.6	267	7.0	−22.4	292	7.1	9.4
Total Assets	3,589	100.0	3,796	100.0	5.8	4,121	100.0	8.6

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	2,960	66.2	10.0	3,199	65.4	8.1	3,556	66.5	11.2
A. Majority Equity of DI	2,505	56.0	13.5	2,772	56.7	10.7	2,996	56.0	8.1
B. AFN Liabilities to DI	455	10.2	−6.2	427	8.7	−6.2	560	10.5	31.1
2. Minority Equity in AFN	102	2.3	−10.5	112	2.3	9.8	115	2.2	2.7
3. Liabilities to Others	1,409	31.5	7.1	1,578	32.3	12.0	1,675	31.3	6.1
A. Short-Term	743	16.6	12.2	876	17.9	17.9	1,024	19.2	16.9
(1) Interest Bearing	227	5.1	26.1	302	6.2	33.0	402	7.5	33.1
(2) Non-Interest Bearing	516	11.5	6.8	573	11.7	11.0	622	11.6	8.6
B. Long-Term	666	14.9	2.0	702	14.4	5.4	651	12.2	−7.3
(1) Interest Bearing	480	10.7	−6.4	499	10.2	4.0	419	7.8	−16.0
(2) Non-Interest Bearing	186	4.2	32.9	203	4.2	9.1	233	4.4	14.8
Total Liabilities Plus Equity	4,471	100.0	8.5	4,889	100.0	9.3	5,346	100.0	9.3
1. Current Assets	2,003	44.8	5.4	2,302	47.1	14.9	2,489	46.6	8.1
2. Fixed Assets	2,087	46.7	8.2	2,233	45.7	7.0	2,464	46.1	10.3
3. Other Assets	381	8.5	30.5	354	7.2	−7.1	393	7.4	11.0
Total Assets	4,471	100.0	8.5	4,889	100.0	9.3	5,346	100.0	9.3

TABLE 4–18

Other

Structure of Foreign Affiliate Assets, Liabilities, and Equity, 1966–1971

Canada Only

	1966		1967			1968		
	$ Millions	% of Total	$ Millions	% of Total	% Chg. 66–67	$ Millions	% of Total	% Chg. 67–68
1. Value of Direct Investment	685	67.8	903	67.9	31.8	1,043	68.2	15.5
A. Majority Equity of DI	559	55.3	774	58.2	38.5	898	58.7	16.0
B. AFN Liabilities to DI	127	12.6	128	9.6	.8	145	9.5	13.3
2. Minority Equity in AFN	18	1.8	33	2.5	83.3	37	2.4	12.1
3. Liabilities to Others	308	30.5	394	29.6	27.9	450	29.4	14.2
A. Short-Term	221	21.9	243	18.3	10.0	279	18.2	14.8
(1) Interest Bearing	43	4.3	35	2.6	−18.6	61	4.0	74.3
(2) Non-Interest Bearing	178	17.6	207	15.6	16.3	218	14.2	5.3
B. Long-Term	87	8.6	151	11.4	73.6	170	11.1	12.6
(1) Interest Bearing	70	6.9	110	8.3	57.1	116	7.6	5.5
(2) Non-Interest Bearing	17	1.7	41	3.1	141.2	54	3.5	31.7
Total Liabilities Plus Equity	1,011	100.0	1,330	100.0	31.6	1,530	100.0	15.0
1. Current Assets	497	49.2	663	49.8	33.4	745	48.7	12.4
2. Fixed Assets	427	42.2	590	44.4	38.2	700	45.8	18.6
3. Other Assets	88	8.7	77	5.8	−12.5	85	5.6	10.4
Total Assets	1,011	100.0	1,330	100.0	31.6	1,530	100.0	15.0

	1969			1970			1971		
	$ Millions	% of Total	% Chg. 68–69	$ Millions	% of Total	% Chg. 69–70	$ Millions	% of Total	% Chg. 70–71
1. Value of Direct Investment	1,187	67.0	13.8	1,387	68.9	16.8	1,531	69.3	10.4.
A. Majority Equity of DI	1,002	56.6	11.6	1,143	56.8	14.1	1,201	54.3	5.1
B. AFN Liabilities to DI	185	10.4	27.6	244	12.1	31.9	330	14.9	35.2
2. Minority Equity in AFN	37	2.1	0	36	1.8	−2.7	38	1.7	5.6
3. Liabilities to Others	547	30.9	21.6	591	29.3	8.0	641	29.0	8.5
A. Short-Term	331	18.7	18.6	361	17.9	9.1	377	17.1	4.4
(1) Interest Bearing	103	5.8	68.9	123	6.1	19.4	108	4.9	−12.2
(2) Non-Interest Bearing	227	12.8	4.1	238	11.8	4.8	270	12.2	13.4
B. Long-Term	217	12.3	27.6	229	11.4	5.5	263	11.9	14.8
(1) Interest Bearing	167	9.4	44.0	184	9.1	10.2	206	9.3	12.0
(2) Non-Interest Bearing	50	2.8	−7.4	45	2.2	−10.0	58	2.6	28.9
Total Liabilities Plus Equity	1,771	100.0	15.8	2,014	100.0	13.7	2,210	100.0	9.7
1. Current Assets	773	43.6	3.8	900	44.7	16.4	981	44.4	9.0
2. Fixed Assets	826	46.6	18.0	967	48.0	17.1	1,061	48.0	9.7
3. Other Assets	171	9.7	101.2	147	7.3	−14.0	167	7.6	13.6
Total Assets	1,771	100.0	15.8	2,014	100.0	13.7	2,210	100.0	9.7

TABLE 4–19

All Industries
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	9,358	100.0	10,959	100.0	12,059	100.0	14,662	100.0	14,850	100.0
1. Direct Investment	3,449	36.9	3,119	28.5	3,933	32.6	4,549	31.0	5,151	34.7
A. Retained Earnings	748	8.0	1,112	10.1	1,424	11.8	1,517	10.3	1,351	9.1
B. Capital Transfers	2,702	28.9	2,007	18.3	2,509	20.8	3,032	20.7	3,800	25.6
(1) Equity	2,379	25.4	1,541	14.1	551	4.6	2,338	15.9	1,795	12.1
(2) Liability to Parent	323	3.5	466	4.3	1,958	16.2	694	4.7	2,005	13.5
2. Equity of Minority Holders	204	2.2	240	2.2	100	.8	244	1.7	82	.6
3. Affiliate Liabilities to Others	2,538	27.1	4,030	36.8	4,453	36.9	5,914	40.3	5,091	34.3
A. Short-Term	1,486	15.9	2,854	26.0	3,409	28.3	4,543	31.0	2,771	18.7
(1) Interest Bearing	802	8.6	764	7.0	1,110	9.2	2,247	15.3	380	2.6
(2) Non-Interest Bearing	684	7.3	2,089	19.1	2,298	19.1	2,296	15.7	2,391	16.1
B. Long-Term	1,052	11.2	1,176	10.7	1,044	8.7	1,371	9.4	2,320	15.6
(1) Interest Bearing	892	9.5	1,062	9.7	552	4.6	774	5.3	1,778	12.0
(2) Non-Interest Bearing	161	1.7	114	1.0	492	4.1	597	4.1	542	3.6
4. Depreciation	3,166	33.8	3,570	32.6	3,574	29.6	3,955	27.0	4,527	30.5
Use of Funds	9,358	100.0	10,959	100.0	12,059	100.0	14,662	100.0	14,850	100.0
1. Current Assets	2,509	26.8	4,413	40.3	4,890	40.6	5,507	37.6	4,478	30.2
2. Fixed Assets	6,092	65.1	6,190	56.5	6,165	51.1	7,783	53.1	8,694	58.5
3. Other Assets	756	8.1	355	3.2	1,004	8.3	1,372	9.4	1,678	11.3

TABLE 4–20

Extractive
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Million	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	3,327	100.0	3,241	100.0	2,797	100.0	4,503	100.0	5,046	100.0
1. Direct Investment	1,455	43.7	1,076	33.2	1,105	39.5	1,767	39.2	2,072	41.1
A. Retained Earnings	66	2.0	81	2.5	13	.5	340	7.6	212	4.2
B. Capital Transfers	1,390	41.8	995	30.7	1,091	39.0	1,427	31.7	1,860	36.9
(1) Equity	1,585	47.6	515	15.9	−85	−3.0	1,121	24.9	489	9.7
(2) Liabilities to Parent	−195	−5.9	480	14.8	1,177	42.1	306	6.8	1,371	27.2
2. Equity of Minority Holders	5	.2	20	.6	12	.4	52	1.2	27	.5
3. Affiliate Liabilities to Others	907	27.3	1,052	32.5	560	20.0	1,518	33.7	1,591	31.5
A. Short-Term	635	19.1	641	19.8	473	16.9	1,192	26.5	1,005	19.9
(1) Interest Bearing	354	10.6	65	2.0	166	5.9	488	10.9	−229	−4.5
(2) Non-Interest Bearing	280	8.4	576	17.8	307	11.0	704	15.6	1,233	24.4
B. Long-Term	272	8.2	410	12.7	87	3.1	326	7.2	587	11.6
(1) Interest Bearing	243	7.3	490	15.1	−94	−3.4	106	2.4	435	8.6
(2) Non-Interest Bearing	29	.9	−79	−2.4	180	6.4	220	4.9	152	3.0
4. Depreciation	960	28.9	1,093	33.7	1,121	40.1	1,166	25.9	1,356	26.9
Use of Funds	3,327	100.0	3,241	100.0	2,797	100.0	4,503	100.0	5,046	100.0
1. Current Assets	641	19.3	911	28.1	825	29.5	1,528	33.9	1,076	21.3
2. Fixed Assets	2,112	63.5	2,237	69.0	1,717	61.4	2,542	56.5	3,048	60.4
3. Other Assets	574	17.3	93	2.9	256	9.2	434	9.6	921	18.3

TABLE 4–21

Manufacturing
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	5,482	100.0	6,614	100.0	8,314	100.0	9,094	100.0	8,800	100.0
1. Direct Investment	1,815	33.1	1,590	24.0	2,474	29.8	2,333	25.7	2,826	32.1
A. Retained Earnings	513	9.4	834	12.6	1,282	15.4	1,015	11.2	1,043	11.9
B. Capital Transfers	1,301	23.7	756	11.4	1,193	14.3	2,318	14.5	1,783	20.3
(1) Equity	753	13.7	814	12.3	612	7.4	1,104	12.1	1,304	14.8
(2) Liability to Parent	548	10.0	−58	−.9	580	7.0	213	2.3	479	5.4
3. Equity of Minority Holders	174	3.2	184	2.8	121	1.5	190	2.1	46	.5
3. Affiliate Liabilities to Others	1,471	26.8	2,572	38.9	3,465	41.7	4,071	44.8	3,057	34.7
A. Short-Term	750	13.7	1,889	28.6	2,595	31.2	3,199	35.2	1,630	18.5
(1) Interest Bearing	463	8.4	585	8.8	797	9.6	1,695	18.6	579	6.6
(2) Non-Interest Bearing	287	5.2	1,305	19.7	1,798	21.6	1,505	16.5	1,050	11.9
B. Long-Term	721	13.2	682	10.3	870	10.5	872	9.6	1,428	16.2
(1) Interest Bearing	585	10.7	518	7.8	571	6.9	540	5.9	1,112	12.6
(2) Non-Interest Bearing	136	2.5	164	2.5	299	3.6	332	3.7	316	3.6
4. Depreciation	2,023	36.9	2,269	34.3	2,254	27.1	2,500	27.5	2,870	32.6
Use of Funds	5,482	100.0	6,614	100.0	8,314	100.0	9,094	100.0	8,800	100.0
1. Current Assets	1,651	30.1	3,031	45.8	3,875	46.6	3,551	39.0	3,359	38.2
2. Fixed Assets	3,575	65.2	3,411	51.6	3,824	46.0	4,697	51.6	4,927	56.0
3. Other Assets	256	4.7	172	2.6	615	7.4	845	9.3	514	5.8

TABLE 4–22

Chemical & Allied
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	1,030	100.0	1,012	100.0	1,107	100.0	1,145	100.0	1,641	100.0
1. Direct Investment	477	46.3	303	29.9	491	44.4	402	35.1	446	27.2
A. Retained Earnings	136	13.2	161	15.9	329	29.7	210	18.3	224	13.7
B. Capital Transfers	341	33.1	142	14.0	162	14.6	192	16.8	223	13.6
(1) Equity	166	16.1	166	16.4	100	9.0	180	15.7	183	11.2
(2) Liability to Parent	175	17.0	−24	−2.4	62	5.6	13	1.1	39	2.4
2. Equity of Minority Holders	52	5.0	13	1.3	0	0	19	1.7	5	.3
3. Affiliate Liabilities to Others	284	27.6	467	46.1	350	31.6	436	38.1	873	53.2
A. Short-Term	173	16.8	351	34.7	255	23.0	320	27.9	571	34.8
(1) Interest Bearing	153	14.9	151	14.9	−20	−1.8	121	10.6	342	20.8
(2) Non-Interest Bearing	20	1.9	200	19.8	275	24.8	199	17.4	229	14.0
B. Long-Term	110	10.7	115	11.4	95	8.6	116	10.1	302	18.4
(1) Interest Bearing	99	9.6	111	11.0	68	6.1	55	4.8	235	14.3
(2) Non-Interest Bearing	11	1.1	4	.4	27	2.4	62	5.4	67	4.1
4. Depreciation	217	21.1	230	22.7	265	23.9	288	25.2	316	19.3
Use of Funds	1,030	100.0	1,012	100.0	1,107	100.0	1,145	100.0	1,641	100.0
1. Current Assets	436	42.3	478	47.2	473	42.7	536	46.8	895	54.5
2. Fixed Assets	529	51.4	509	50.3	528	47.7	586	51.2	699	42.6
3. Other Assets	65	6.3	26	2.6	106	9.6	23	2.0	47	2.9

TABLE 4–23

Electrical Machinery
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	1,198	100.0	808	100.0	1,116	100.0	1,357	100.0	1,299	100.0
1. Direct Investment	458	38.2	47	5.8	358	32.1	185	13.6	545	42.0
A. Retained Earnings	127	10.6	85	10.5	117	10.5	68	5.0	206	15.9
B. Capital Transfers	331	27.6	−38	−4.7	241	21.6	118	8.7	339	26.1
(1) Equity	194	16.2	19	2.4	129	11.6	143	10.5	200	15.4
(2) Liability to Parent	137	11.4	−57	−7.1	112	10.0	−25	−1.8	139	10.7
2. Equity of Minority Holders	10	.8	21	2.6	8	.7	98	7.2	−10	−.8
3. Affiliate Liabilities to Others	510	42.6	508	62.9	494	44.3	784	57.8	443	34.1
A. Short-Term	360	30.1	308	38.1	327	29.3	615	45.3	276	21.2
(1) Interest Bearing	287	24.0	61	7.5	173	15.5	318	23.4	−85	−6.5
(2) Non-Interest Bearing	73	6.1	247	30.6	154	13.8	297	21.9	361	27.8
B. Long-Term	150	12.5	199	24.6	167	15.0	169	12.5	167	12.9
(1) Interest Bearing	111	9.3	146	18.1	141	12.6	116	8.5	132	10.2
(2) Non-Interest Bearing	39	3.3	53	6.6	26	2.3	53	3.9	36	2.8
4. Depreciation	221	18.4	233	28.8	256	22.9	289	21.3	320	24.6
Use of Funds	1,198	100.0	808	100.0	1,116	100.0	1,357	100.0	1,299	100.0
1. Current Assets	569	47.5	441	54.6	527	47.2	772	56.9	728	56.0
2. Fixed Assets	501	41.8	425	52.6	441	39.5	511	37.7	397	30.6
3. Other Assets	129	10.8	−58	−7.2	148	13.3	74	5.5	173	13.3

TABLE 4–24

Non-Electrical Machinery
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1071	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	810	100.0	1,259	100.0	1,949	100.0	2,093	100.0	1,701	100.0
1. Direct Investment	152	18.8	271	21.5	693	35.6	414	19.8	698	41.0
A. Retained Earnings	77	9.5	331	26.3	422	21.7	229	10.9	449	26.4
B. Capital Transfers	75	9.3	−60	−4.8	271	13.9	184	8.8	249	14.6
(1) Equity	5	.6	−10	−.8	159	8.2	18	.9	162	9.5
(2) Liability to Parent	70	8.6	−50	−4.0	112	5.7	166	7.9	87	5.1
2. Equity of Minority Holders	2	.2	4	.3	−5	−.3	1	0	9	.5
3. Affiliate Liabilities to Others	170	21.0	426	33.8	620	31.8	977	46.7	96	5.6
A. Short-Term	68	8.4	314	24.9	481	24.7	891	42.6	−128	−7.5
(1) Interest Bearing	14	1.7	123	9.8	148	7.6	445	21.7	−175	−10.3
(2) Non-Interest Bearing	54	6.7	191	15.2	333	17.1	436	20.8	47	2.8
B. Long-Term	102	12.6	111	8.8	139	7.1	87	4.2	225	13.2
(1) Interest Bearing	78	9.6	85	6.8	85	4.4	37	1.8	150	8.8
(2) Non-Interest Bearing	24	3.0	26	2.1	54	2.8	49	2.3	75	4.4
4. Depreciation	486	60.0	558	44.3	641	32.9	701	33.5	899	52.9
Use of Funds	810	100.0	1,259	100.0	1,949	100.0	2,093	100.0	1,701	100.0
1. Current Assets	177	21.9	555	44.1	891	45.7	742	35.5	179	10.5
2. Fixed Assets	673	83.1	648	51.5	962	49.4	1,336	63.8	1,453	85.4
3. Other Assets	−40	−4.9	56	4.4	96	4.9	16	.8	69	4.1

TABLE 4–25

Transportation Equipment
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	1,151	100.0	1,231	100.0	1,536	100.0	1,197	100.0	1,256	100.0
1. Direct Investment	196	17.0	189	15.4	385	25.1	197	16.5	337	26.8
A. Retained Earnings	23	2.0	105	8.5	204	13.3	70	5.8	−7	−.6
B. Capital Transfers	173	15.0	84	6.8	182	11.8	128	10.7	344	27.4
(1) Equity	93	8.1	97	7.9	94	6.1	86	7.2	194	15.4
(2) Liability to Parent	80	7.0	−13	−1.1	88	5.7	41	3.4	150	11.9
2. Equity of Minority Holders	85	7.4	−5	−.4	−17	−1.1	−6	−.5	−39	−3.1
3. Affiliate Liabilities to Others	178	15.5	275	22.3	668	43.5	493	41.2	428	34.1
A. Short-Term	−33	−2.9	321	26.1	594	38.7	367	30.7	176	14.0
(1) Interest Bearing	−97	−8.4	50	4.1	213	13.9	203	17.0	86	6.8
(2) Non-Interest Bearing	64	5.6	271	22.0	381	24.8	164	13.7	90	7.2
B. Long-Term	210	18.2	−45	−3.7	74	4.8	126	10.5	252	20.1
(1) Interest Bearing	175	15.2	−77	−6.3	18	1.2	112	9.4	242	19.3
(2) Non-Interest Bearing	36	3.1	32	2.6	56	3.6	14	1.2	10	.8
4. Depreciation	693	60.2	771	62.6	499	32.5	513	42.9	530	42.2
Use of Funds	1,151	100.0	1,231	100.0	1,536	100.0	1,197	100.0	1,256	100.0
1. Current Assets	−26	−2.3	448	36.4	914	59.5	229	19.1	480	38.2
2. Fixed Assets	1,065	92.5	768	62.4	602	39.2	740	61.8	756	60.2
3. Other Assets	112	9.7	15	1.2	19	1.2	228	19.0	19	1.5

TABLE 4–26

Other Manufacturing
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	1,292	100.0	2,304	100.0	2,607	100.0	3,302	100.0	2,903	100.0
1. Direct Investment	531	41.1	780	33.9	547	21.0	1,135	34.4	799	27.5
A. Retained Earnings	129	10.0	227	9.9	257	9.9	420	12.7	253	8.7
B. Capital Transfers	402	31.1	553	24.0	289	11.1	714	21.6	546	18.8
(1) Equity	317	24.5	468	20.3	82	3.1	696	21.1	484	16.7
(2) Liability to Parent	85	6.6	85	3.7	207	7.9	19	.6	62	2.1
2. Equity to Minority Holders	25	1.9	150	6.5	135	5.2	77	2.3	82	2.8
3. Affiliate Liabilities to Others	330	25.5	896	38.9	1,332	51.1	1,381	41.8	1,216	41.9
A. Short-Term	181	14.0	594	25.8	939	36.0	1,007	30.5	734	25.3
(1) Interest Bearing	105	8.1	199	8.6	283	10.9	599	18.1	411	14.2
(2) Non-Interest Bearing	76	5.9	396	17.2	655	25.1	409	12.4	323	11.1
B. Long-Term	149	11.5	302	13.1	393	15.1	374	11.3	482	16.6
(1) Interest Bearing	123	9.5	254	11.0	258	9.9	220	6.7	353	12.2
(2) Non-Interest Bearing	26	2.0	48	2.1	135	5.2	154	4.7	128	4.4
4. Depreciation	406	31.4	478	20.7	593	22.7	710	21.5	806	27.8
Use of Funds	1,292	100.0	2,304	100.0	2,607	100.0	3,302	100.0	2,903	100.0
1. Current Assets	494	38.2	1,109	48.1	1,071	41.1	1,273	38.6	1,076	37.1
2. Fixed Assets	807	62.5	1,062	46.1	1,291	49.5	1,525	46.2	1,622	55.9
3. Other Assets	−9	−.7	134	5.8	246	9.4	504	15.3	205	7.1

TABLE 4–27

Other
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
All Schedules (Excluding Canada)

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	548	100.0	1,104	100.0	948	100.0	1,065	100.0	1,005	100.0
1. Direct Investment	180	32.8	454	41.1	354	37.3	449	42.2	253	25.2
A. Retained Earnings	96	17.5	199	18.0	120	12.7	104	9.8	40	4.0
B. Capital Transfers	84	15.3	254	23.0	233	24.6	344	32.3	212	21.1
(1) Equity	114	20.8	209	18.9	33	3.5	170	16.0	57	5.7
(2) Liability to Parent	−30	−5.5	45	4.1	200	21.1	175	16.4	155	15.4
2. Equity to Minority Holders	26	4.7	36	3.3	−33	−3.5	2	.2	9	.9
3. Affiliate Liabilities to Others	161	29.4	407	36.9	428	45.1	325	30.5	442	44.0
A. Short-Term	101	18.4	323	29.3	340	35.9	152	14.3	137	13.6
(1) Interest Bearing	−15	−2.7	114	10.3	147	15.5	64	6.0	30	3.0
(2) Non-Interest Bearing	116	21.2	209	18.9	193	20.4	88	8.3	107	10.6
B. Long-Term	60	10.9	83	7.5	88	9.3	173	16.2	305	30.3
(1) Interest Bearing	64	11.7	54	4.9	75	7.9	128	12.0	231	23.0
(2) Non-Interest Bearing	−4	−.7	29	2.6	13	1.4	45	4.2	74	7.4
4. Depreciation	183	33.4	208	18.8	198	20.9	289	27.1	301	30.0
Use of Funds	548	100.0	1,104	100.0	948	100.0	1,065	100.0	1,005	100.0
1. Current Assets	217	39.6	471	42.7	190	20.0	428	40.2	44	4.4
2. Fixed Assets	405	73.9	543	49.2	624	65.8	544	51.1	718	71.4
3. Other Assets	−74	−13.5	90	8.2	133	14.0	93	8.7	243	24.2

TABLE 4–28

All Industries
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	2,920	100.0	2,431	100.0	2,594	100.0	2,587	100.0	3,387	100.0
1. Direct Investment	1,164	39.9	794	32.7	899	34.7	977	37.8	1,074	31.7
A. Retained Earnings	519	17.8	509	20.9	480	18.5	350	13.5	810	23.9
B. Capital Transfers	645	22.1	285	11.7	420	16.2	627	24.2	264	7.8
(1) Equity	417	14.3	231	9.5	504	19.4	725	28.0	338	10.0
(2) Liability to Parent	228	7.8	54	2.2	−84	−3.2	−98	−3.8	−74	−2.2
2. Equity of Minority Holders	112	3.8	−29	−1.2	50	1.9	62	2.4	114	3.4
3. Affiliate Liabilities to Others	729	25.0	672	27.6	649	25.0	379	14.7	900	26.6
A. Short-Term	306	10.5	551	22.7	392	15.1	62	2.4	438	12.9
(1) Interest Bearing	217	7.4	137	5.6	322	12.4	−8	−.3	−62	−1.8
(2) Non-Interest Bearing	90	3.1	414	17.0	70	2.7	70	2.7	500	14.8
B. Long-Term	423	14.5	121	5.0	256	9.9	317	12.3	462	13.6
(1) Interest Bearing	340	11.6	37	1.5	47	1.8	185	7.2	345	10.2
(2) Non-Interest Bearing	82	2.8	83	3.4	209	8.1	131	5.1	117	3.5
4. Depreciation	915	31.3	994	40.9	996	38.4	1,169	45.2	1,299	38.4
Use fo Funds	2,920	100.0	2,431	100.0	2,594	100.0	2,587	100.0	3,387	100.0
1. Current Assets	996	34.1	759	31.2	508	19.6	400	15.5	989	29.2
2. Fixed Assets	1,829	62.6	1,722	70.8	1,815	70.0	2,210	85.4	2,275	67.2
3. Other Assets	95	3.3	−50	−2.1	271	10.4	−23	−.9	123	3.6

TABLE 4–29

Extractive
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	719	100.0	870	100.0	744	100.0	931	100.0	1,218	100.0
1. Direct Investment	249	34.6	190	21.8	195	26.2	363	39.0	391	32.1
A. Retained Earnings	66	9.2	71	8.2	52	7.0	115	12.4	244	20.0
B. Capital Transfers	183	25.5	119	13.7	143	19.2	248	26.6	147	12.1
(1) Equity	166	23.1	23	2.6	102	13.7	437	46.9	233	19.1
(2) Liability to Parent	17	2.4	95	10.9	41	5.5	−188	−20.2	−86	−7.1
2. Equity of Minority Holders	61	8.5	15	1.7	18	2.4	61	6.6	85	7.0
3. Affiliate Liabilities to Others	158	22.0	397	45.6	248	33.3	184	19.8	369	30.3
A. Short-Term	61	8.5	228	26.2	69	9.3	128	13.7	119	9.8
(1) Interest Bearing	−1	−.1	61	7.0	−21	−2.8	43	4.6	19	1.6
(2) Non-Interest Bearing	62	8.6	167	19.2	89	12.0	86	9.2	100	8.2
B. Long-Term	97	13.5	169	19.4	179	24.1	55	5.9	250	20.5
(1) Interest Bearing	81	11.3	122	14.0	68	9.1	21	2.3	196	16.1
(2) Non-Interest Bearing	17	2.4	46	5.3	111	14.9	34	3.7	54	4.4
4. Depreciation	250	34.8	268	30.8	284	38.2	323	34.7	374	30.7
Use of Funds	719	100.0	870	100.0	744	100.0	931	100.0	1,218	100.0
1. Current Assets	157	21.8	132	15.2	173	23.3	170	18.3	247	20.3
2. Fixed Assets	549	76.4	745	85.6	548	73.7	737	79.2	921	75.6
3. Other Assets	13	1.8	−7	−.8	23	3.1	25	2.7	50	4.1

TABLE 4–30

Manufacturing
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	1,835	100.0	1,305	100.0	1,549	100.0	1,340	100.0	1,889	100.0
1. Direct Investment	698	38.0	464	35.6	561	36.2	414	30.9	539	28.5
A. Retained Earnings	393	21.4	356	27.3	368	23.8	159	11.9	492	26.0
B. Capital Transfers	305	16.6	109	8.4	193	12.5	255	19.0	47	2.5
(1) Equity	96	5.2	166	12.7	358	23.1	224	16.7	120	6.4
(2) Liability to Parent	209	11.4	−57	−4.4	−165	−10.7	31	2.3	−73	−3.9
2. Equity of Minority Holders	36	2.0	−49	−3.8	33	2.1	1	.1	28	1.5
3. Affiliate Liabilities to Others	485	26.4	219	16.8	303	19.6	152	11.3	481	25.5
A. Short-Term	224	12.2	286	21.9	273	17.6	−96	−7.2	303	16.0
(1) Interest Bearing	226	12.3	50	3.8	301	19.4	−70	−5.2	−66	−3.5
(2) Non-Interest Bearing	−2	−.1	236	18.1	−29	−1.9	−26	−1.9	369	19.5
B. Long-Term	261	14.2	−67	−5.1	31	2.0	248	18.5	179	9.5
(1) Interest Bearing	220	12.0	−91	−7.0	−71	−4.6	147	11.0	127	6.7
(2) Non-Interest Bearing	42	2.3	25	1.9	102	6.6	102	7.6	52	2.8
4. Depreciation	616	33.6	670	51.3	652	42.1	774	57.8	841	44.5
Use of Funds	1,835	100.0	1,305	100.0	1,549	100.0	1,340	100.0	1,889	100.0
1. Current Assets	673	36.7	545	41.8	307	19.8	104	7.8	661	35.0
2. Fixed Assets	1,069	58.3	811	62.1	1,081	69.8	1,260	94.0	1,176	62.3
3. Other Assets	93	5.1	−51	−3.9	161	10.4	−24	−1.8	53	2.8

TABLE 4–31

Chemical & Allied
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	250	100.0	−31	100.0	150	100.0	362	100.0	287	100.0
1. Direct Investment	127	50.8	6	−19.4	53	35.3	153	42.3	127	44.3
A. Retained Earnings	27	10.8	3	−9.7	37	24.7	67	18.5	32	11.1
B. Capital Transfers	100	40.0	3	−9.7	16	10.7	87	24.0	95	33.1
(1) Equity	64	25.6	38	-122.6	14	9.3	55	15.2	56	19.5
(2) Liability to Parent	36	14.4	−35	112.9	2	1.3	32	8.8	39	13.6
2. Equity of Minority Holders	21	8.4	−39	125.8	4	2.7	−3	−.8	3	1.0
3. Affiliate Liabilities to Others	10	4.0	−82	264.5	3	2.0	110	30.4	45	15.7
A. Short-Term	−16	−6.4	29	−93.5	19	12.7	42	11.6	36	12.5
(1) Interest Bearing	−27	−10.8	23	−74.2	19	12.7	48	13.3	−10	−3.5
(2) Non-Interest Bearing	10	4.0	6	−19.4	0	0	−5	−1.4	46	16.0
B. Long-Term	27	10.8	−111	358.1	−17	−11.3	68	18.8	8	2.8
(1) Interest Bearing	1	.4	−90	290.3	−19	−12.7	58	16.0	−14	−4.9
(2) Non-Interest Bearing	26	10.4	−22	71.0	2	1.3	10	2.8	22	7.7
4. Depreciation	92	36.8	85	-274.2	90	60.0	101	27.9	113	39.4
Use of Funds	250	100.0	−31	100.0	150	100.0	362	100.0	287	100.0
1. Current Assets	23	9.2	39	-125.8	36	24.0	109	30.1	120	41.8
2. Fixed Assets	154	61.6	−40	129.0	115	76.7	239	66.0	148	51.6
3. Other Assets	73	29.2	−30	96.8	−2	−1.3	15	4.1	19	6.6

TABLE 4–32

Electrical Machinery
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	583	100.0	244	100.0	69	100.0	119	100.0	245	100.0
1. Direct Investment	309	53.0	178	73.0	−100	-144.9	−66	−55.5	42	17.1
A. Retained Earnings	233	40.0	85	34.8	−35	−50.7	−41	−34.5	75	30.6
B. Capital Transfers	77	13.2	94	38.5	−65	−94.2	−24	−20.2	−34	−13.9
(1) Equity	−107	−18.4	21	8.6	98	142.0	2	1.7	−2	−.8
(2) Liability to Parent	184	31.6	72	29.5	−163	-236.2	−21	−21.8	−32	−13.1
2. Equity of Minority Holders	8	1.4	4	1.6	10	14.5	−2	−1.7	17	6.9
3. Affiliate Liabilities to Others	205	35.2	−7	−2.9	78	113.0	103	86.6	95	38.8
A. Short-Term	101	17.3	29	11.9	22	31.9	−12	−10.1	0	0
(1) Interest Bearing	66	11.3	−3	−1.2	65	94.2	−47	−39.5	−39	−15.9
(2) Non-Interest Bearing	35	6.0	33	13.5	−43	−62.3	35	29.4	39	15.9
B. Long-Term	104	17.8	−37	−15.2	56	81.2	115	96.6	95	38.8
(1) Interest Bearing	121	20.8	−49	−20.1	0	0	76	63.9	81	33.1
(2) Non-Interest Bearing	−17	−2.9	12	4.9	56	81.2	39	32.8	14	5.7
4. Depreciation	61	10.5	68	27.9	80	115.9	83	69.7	91	37.1
Use of Funds	583	100.0	244	100.0	69	100.0	119	100.0	245	100.0
1. Current Assets	334	57.3	93	38.1	−180	-260.9	−18	−15.1	59	24.1
2. Fixed Assets	178	30.5	210	86.1	181	262.3	174	146.2	202	82.4
3. Other Assets	71	12.2	−59	−24.2	68	98.6	−37	−31.1	−17	−6.9

TABLE 4–33

Non-Electrical Machinery
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	165	100.0	157	100.0	266	100.0	90	100.0	195	100.0
1. Direct Investment	41	24.8	41	26.1	120	45.1	−41	−45.6	87	44.6
A. Retained Earnings	28	17.0	34	21.7	53	19.9	−44	−48.9	70	35.9
B. Capital Transfers	12	7.3	6	3.8	67	25.2	2	2.2	16	8.2
(1) Equity	19	11.5	0	0	58	21.8	47	52.2	11	5.6
(2) Liability to Parent	−7	−4.2	6	3.8	10	3.8	−45	−50.0	6	3.1
2. Equity of Minority Holders	8	4.8	−1	−.6	0	0	−4	−4.4	1	.5
3. Affiliate Liabilities to Others	47	28.5	32	20.4	53	19.9	42	46.7	14	7.2
A. Short-Term	26	15.8	31	19.7	66	24.8	56	62.2	−10	−5.1
(1) Interest Bearing	36	21.8	5	3.2	43	16.2	56	62.2	−35	−17.9
(2) Non-Interest Bearing	−10	−6.1	26	16.6	23	8.6	0	0	25	12.8
B. Long-Term	21	12.7	0	0	−14	−5.3	−14	−15.6	24	12.3
(1) Interest Bearing	19	11.5	3	1.9	−16	−6.0	−17	−18.9	26	13.3
(2) Non-Interest Bearing	2	1.2	−3	−1.9	2	.8	3	3.3	−2	−1.0
4. Depreciation	70	42.4	85	54.1	94	35.3	93	103.3	93	47.7
Use of Funds	165	100.0	157	100.0	266	100.0	90	100.0	195	100.0
1. Current Assets	45	27.3	74	47.1	119	44.7	−25	−27.8	55	28.2
1. Fixed Assets	119	72.1	71	45.2	127	47.7	105	116.7	141	72.3
3. Other Assets	2	1.2	11	7.0	21	7.9	10	11.1	−1	−.5

TABLE 4–34

Transportation Equipment
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	464	100.0	432	100.0	499	100.0	47	100.0	382	100.0
1. Direct Investment	67	14.4	14	3.2	220	44.1	129	274.5	−73	−19.1
A. Retained Earnings	167	36.0	49	11.3	204	40.9	3	6.4	120	31.4
B. Capital Transfers	−100	−21.6	−35	−8.1	16	3.2	125	266.0	−193	−50.5
(1) Equity	−45	−9.7	82	19.0	−1	−.2	27	57.4	26	6.8
(2) Liability to Parent	−54	−11.6	−117	−27.1	17	3.4	99	210.6	−219	−57.3
2. Equity of Minority Holders	0	0	2	.5	31	6.2	−1	−2.1	4	1.0
3. Affiliate Liabilities to Others	169	36.4	163	37.7	76	15.2	−272	-578.7	231	60.5
Short-Term	109	23.5	156	36.1	84	16.8	−315	-670.2	128	33.5
(1) Interest Bearing	130	28.0	50	11.6	126	25.3	−202	-429.8	−81	−21.2
(2) Non-Interest Bearing	−21	−4.5	106	24.5	−42	−8.4	−113	-240.4	210	55.0
B. Long-Term	60	12.9	7	1.6	−8	−1.6	43	91.5	102	26.7
(1) Interest Bearing	36	7.8	−8	−1.9	−5	−1.0	10	21.3	114	29.8
(2) Non-Interest Bearing	24	5.2	15	3.5	−4	−.8	33	70.2	−12	−3.1
4. Depreciation	227	48.9	253	58.6	172	34.5	192	408.5	220	57.6
Use of Funds	464	100.0	432	100.0	499	100.0	47	100.0	382	100.0
1. Current Assets	156	33.6	170	39.4	229	45.9	−260	-553.2	240	62.8
2. Fixed Assets	284	61.2	260	60.2	284	56.9	292	621.3	130	34.0
3. Other Assets	24	5.2	2	.5	−15	−3.0	16	34.0	12	3.1

TABLE 4–35

Other Manufacturing
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	373	100.0	504	100.0	566	100.0	722	100.0	781	100.0
1. Direct Investment	154	41.3	226	44.8	268	47.3	239	33.1	357	45.7
A. Retained Earnings	60	16.1	119	23.6	203	35.9	106	14.7	196	25.1
B. Capital Transfers	95	25.5	107	21.2	65	11.5	133	18.4	161	20.6
(1) Equity	44	11.8	91	18.1	96	17.0	161	22.3	28	3.6
(2) Liability to Parent	51	13.7	16	3.2	−31	−5.5	−28	−3.9	134	17.2
2. Equity of Minority Holders	0	0	−15	−3.0	−12	−2.1	10	1.4	3	.4
3. Affiliate Liabilities to Others	54	14.5	114	22.6	94	16.6	168	23.3	97	12.4
A. Short-Term	4	1.1	40	7.9	81	14.3	133	18.4	148	19.0
(1) Interest Bearing	19	5.1	−25	−5.0	48	8.5	75	10.4	99	12.7
(2) Non-Interest Bearing	−16	−4.3	65	12.9	33	5.8	57	7.9	49	6.3
B. Long-Term	50	13.4	74	14.7	13	2.3	36	5.0	−51	−6.5
(1) Interest Bearing	43	11.5	53	10.5	−33	−5.8	19	2.6	−80	−10.2
(2) Non-Interest Bearing	7	1.9	21	4.2	46	8.1	17	2.4	30	3.8
4. Depreciation	166	44.5	179	35.5	215	38.0	304	42.1	323	41.4
Use of Funds	373	100.0	504	100.0	566	100.0	722	100.0	781	100.0
1. Current Assets	116	31.1	168	33.3	102	18.0	299	41.4	187	23.9
2. Fixed Assets	334	89.5	311	61.7	374	66.1	451	62.5	554	70.9
3. Other Assets	−77	−20.6	25	5.0	89	15.7	−28	−3.9	39	5.0

TABLE 4–36

Other
Annual Sources and Uses of Funds of Majority-Owned Foreign Affiliates, 1967–1971
Canada Only

	1967		1968		1969		1970		1971	
	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
Source of Funds	366	100.0	255	100.0	301	100.0	315	100.0	280	100.0
1. Direct Investment	217	59.3	140	54.9	144	47.8	201	63.8	144	51.4
A. Retained Earnings	105	28.7	75	29.4	66	21.9	72	22.9	97	34.6
B. Capital Transfers	113	30.9	64	25.1	78	25.9	128	40.6	47	16.8
(1) Equity	111	30.3	48	18.8	38	12.6	69	21.9	−38	−13.6
(2) Liability to Parent	2	.5	16	6.3	40	13.3	59	18.7	85	30.4
2. Equity of Minority Holders	15	4.1	5	2.0	−1	−.3	0	0	1	.4
3. Affiliate Liabilities to Others	86	23.5	56	22.0	98	32.6	43	13.7	50	17.9
A. Short-Term	22	6.0	37	14.5	51	16.9	30	9.5	16	5.7
(1) Interest Bearing	−8	−2.2	26	10.2	42	14.0	19	6.0	−15	−5.4
(2) Non-Interest Bearing	29	7.9	11	4.3	10	3.3	11	3.5	32	11.4
B. Long-Term	64	17.5	19	7.5	46	15.3	13	4.1	34	12.1
(1) Interest Bearing	40	10.9	6	2.4	50	16.6	17	5.4	22	7.9
(2) Non-Interest Bearing	24	6.6	13	5.1	−4	−1.3	−5	−1.6	12	4.3
4. Depreciation	48	13.1	55	21.6	60	19.9	72	22.9	85	30.4
Use of Funds	366	100.0	255	100.0	301	100.0	315	100.0	280	100.0
1. Current Assets	166	45.4	82	32.2	28	9.3	127	40.3	82	29.3
2. Fixed Assets	211	57.7	166	65.1	186	61.8	213	67.6	178	63.6
3. Other Assets	−11	−3.0	8	3.1	87	28.9	−24	−7.6	20	7.1

TABLE 4–37

All Industries

Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	4,017	4,093	5,357	5,970	6,679	7,754	904	794	894	1,081	1,001	1,371
Revenue (Millions of $)	50,260	54,385	63,910	72,597	82,504	96,050	15,889	17,769	20,381	22,125	24,014	28,283
Ratios (Expressed as %):												
Earnings/Revenue	7.99	7.53	8.38	8.22	8.10	8.07	5.69	4.47	4.39	4.89	4.17	4.85
Earnings/Total Assets	8.58	7.72	8.87	8.67	8.39	8.62	5.97	4.63	4.81	5.36	4.64	5.79
Debt/Equity	65.13	65.63	70.79	74.85	80.11	81.93	43.41	44.89	47.49	48.96	48.06	50.15
Earnings/Equity	14.17	12.79	15.15	15.15	15.11	15.69	8.57	6.71	7.10	7.98	6.86	8.69
Earnings/Long-Term Debt + Equity	11.97	10.70	12.52	12.47	12.36	12.59	7.24	5.60	5.93	6.64	5.68	7.11
Fixed Assets/Revenue	41.92	44.13	41.65	40.23	40.04	38.73	49.51	49.42	46.66	46.68	47.35	43.65
Total Assets/Revenue	93.16	97.48	94.51	94.89	96.48	93.62	95.24	96.45	91.14	91.18	89.91	83.73
Short-Term Assets/Short-Term Liabilities	163.05	163.63	162.17	159.14	152.40	153.30	237.62	246.73	229.58	219.52	226.13	226.10
Fixed Assets/Equity	74.31	74.97	75.26	74.13	74.75	75.27	74.55	74.23	75.50	76.27	77.97	78.28
Short-Term Liabilities/Long-Term Debt + Equity	39.56	38.58	41.16	43.92	47.31	46.01	21.18	20.80	23.23	23.92	22.44	22.79
Long-Term Liabilities/Long-Term Debt + Equity	15.48	16.33	17.35	17.69	18.21	19.74	15.50	16.63	16.45	16.81	17.31	18.23

TABLE 4–38

Extractive

Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	1,690	1,846	2,392	2,265	2,919	3,873	322	252	204	296	345	449
Revenue (Millions of $)	17,427	18,403	21,442	22,535	25,014	30,812	2,854	3,228	3,548	3,804	4,492	5,320
Ratios (Expressed as %):												
Earnings/Revenue	9.70	10.03	11.16	10.05	11.67	12.57	11.28	7.81	5.75	7.78	7.68	8.44
Earnings/Total Assets	10.83	10.27	11.89	10.39	11.61	13.44	6.79	4.83	3.51	4.72	5.01	5.81
Debt/Equity	57.21	57.83	61.18	60.27	63.01	64.54	27.22	29.07	37.00	40.80	41.02	44.25
Earnings/Equity	17.03	16.21	19.16	16.65	18.93	22.11	8.64	6.24	4.81	6.64	7.07	8.38
Earnings/Long-Term Debt + Equity	14.61	13.88	16.15	14.15	16.08	18.58	7.50	5.36	4.02	5.41	5.80	6.73
Fixed Assets/Revenue	49.42	53.06	50.88	51.05	51.49	47.30	116.68	112.39	115.70	114.85	106.46	100.19
Total Assets/Revenue	89.55	97.66	93.84	96.73	100.48	93.55	166.22	161.46	163.87	164.93	153.21	145.24
Short-Term Assets/Short-Term Liabilities	124.38	121.22	123.74	127.87	127.92	125.31	249.00	250.00	190.65	196.03	187.17	189.37
Fixed Assets/Equity	86.77	85.75	87.38	84.60	83.53	83.18	89.30	89.82	96.75	98.05	97.99	99.51
Short-Term Liabilities/Long-Term Debt + Equity	34.89	35.11	35.87	36.13	38.43	38.29	10.45	10.84	14.54	14.74	15.72	15.79
Long-Term Liabilities/Long-Term Debt + Equity	14.20	14.40	15.71	15.06	15.08	15.95	13.18	14.12	16.41	18.51	17.94	19.74

TABLE 4–39

Manufacturing

Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	2,070	1,948	2,502	3,200	3,254	3,538	481	464	573	657	516	741
Revenue (Millions of $)	28,386	31,189	36,431	43,687	49,960	56,369	11,370	12,608	14,098	15,996	16,589	19,576
Ratios (Expressed as %):												
Earnings/Revenue	7.29	6.25	6.87	7.32	6.51	6.28	4.23	3.68	4.06	4.11	3.11	3.79
Earnings/Total Assets	7.47	6.25	7.05	7.70	6.76	6.54	5.13	4.38	5.10	5.42	4.06	5.39
Debt/Equity	71.20	71.51	78.04	84.43	92.17	93.64	53.22	54.60	54.48	54.23	53.36	55.37
Earnings/Equity	12.79	10.72	12.54	14.20	12.98	12.66	7.86	6.77	7.88	8.35	6.23	8.38
Earnings/Long-Term Debt + Equity	10.67	8.81	10.19	11.42	10.36	9.90	6.50	5.53	6.55	7.01	5.14	6.87
Fixed Assets/Revenue	38.62	40.13	37.49	34.85	34.88	34.56	36.16	36.19	33.37	32.10	33.88	30.42
Total Assets/Revenue	97.61	99.93	97.47	95.16	96.41	95.97	82.47	84.04	79.66	75.82	76.53	70.21
Short-Term Assets/Short-Term Liabilities	179.43	182.80	178.95	173.26	161.37	165.34	236.46	242.97	236.94	224.70	236.72	234.86
Fixed Assets/Equity	67.74	68.88	68.47	67.55	69.52	69.73	67.17	66.57	64.70	65.28	67.90	67.32
Short-Term Liabilities/Long-Term Debt + Equity	42.85	41.00	44.59	48.34	53.30	51.44	26.68	26.19	28.41	29.42	26.52	27.48
Long-Term Liabilities/Long-Term Debt + Equity	16.56	17.79	18.79	19.57	20.23	21.79	17.32	18.38	16.89	16.08	17.50	17.95

TABLE 4–40

Chemical & Allied

Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	415	389	489	609	658	794	95	79	93	109	95	92
Revenue (Millions of $)	5,270	5,919	6,702	7,673	8,418	9,702	1,707	1,765	1,838	2,012	2,350	2,545
Ratios (Expressed as %):												
Earnings/Revenue	7.87	6.57	7.30	7.94	7.82	8.18	5.57	4.48	5.06	5.42	4.04	3.61
Earnings/Total Assets	8.06	6.53	7.25	8.03	7.80	8.13	5.17	3.96	4.95	5.62	4.32	3.87
Debt/Equity	55.66	55.37	62.39	63.34	66.70	77.06	47.79	43.49	38.47	37.10	40.58	40.12
Earnings/Equity	12.55	10.14	11.78	13.12	13.00	14.40	7.64	5.68	6.85	7.70	6.07	5.43
Earnings/Long-Term Debt + Equity	10.89	8.74	10.02	11.13	10.96	11.75	6.01	4.50	5.77	6.60	5.08	4.58
Fixed Assets/Revenue	33.91	35.48	35.50	34.42	34.93	34.25	57.53	59.09	50.00	46.92	46.00	43.85
Total Assets/Revenue	97.65	100.68	100.60	98.83	100.26	100.65	107.67	113.03	102.29	96.42	93.62	93.32
Short-Term Assets/Short-Term Liabilities	221.66	225.00	208.23	205.49	200.49	192.18	288.28	318.41	297.40	290.28	286.36	290.98
Fixed Assets/Equity	54.05	54.74	57.31	56.88	58.07	60.25	79.00	74.98	67.72	66.71	69.07	65.84
Short-Term Liabilities/Long-Term Debt + Equity	34.99	33.87	38.08	38.65	40.53	44.45	16.18	13.61	16.70	17.43	17.64	18.22
Long-Term Liabilities/Long-Term Debt + Equity	13.27	13.84	14.97	15.12	15.70	18.42	21.43	20.79	15.77	14.35	16.35	15.63

TABLE 4–41

Electrical Machinery

Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	175	163	233	307	357	395	60	57	67	65	61	81
Revenue (Millions of $)	3,139	4,102	4,710	5,649	7,090	8,258	1,300	1,524	1.681	1.870	2,031	2,218
Ratios (Expressed as %):												
Earnings/Revenue	5.58	3.97	4.95	5.43	5.04	4.78	4.62	3.74	3.99	3.48	3.00	3.65
Earnings/TotalAssets	5.07	3.68	4.66	5.23	5.15	4.99	4.55	3.10	3.32	3.24	2.99	3.69
Debt/Equity	122.06	119.09	139.47	138.80	153.09	141.63	71.30	69.37	58.87	69.97	83.45	87.29
Earnings/Equity	11.25	8.06	11.15	12.50	13.03	12.06	7.79	5.24	5.28	5.51	5.49	6.91
Earnings/Long-Term Debt + Equity	8.23	5.94	7.74	8.66	8.93	8.41	5.81	3.92	4.19	4.16	3.78	4.58
Fixed Assets/Revenue	31.92	31.28	31.30	29.39	26.53	23.71	51.15	51.25	54.91	54.76	54.90	55.28
Total Assets/Revenue	109.97	108.00	106.26	103.82	97.77	95.80	101.46	120.80	119.93	107.17	100.44	98.92
Short-Term Assets/Short-Term Liabilities	161.09	160.44	157.69	158.18	151.40	161.05	209.41	240.98	246.52	192.94	194.15	208.20
Fixed Assets/Equity	64.44	63.45	70.53	67.59	68.67	59.80	86.36	71.85	72.73	86.85	100.27	104.61
Short-Term Liabilities/Long-Term Debt + Equity	62.34	61.47	66.28	65.52	73.47	68.37	27.81	26.70	26.10	28.07	26.47	24.17
Long-Term Liabilities/Long-Term Debt + Equity	26.89	26.29	30.56	30.70	31.46	30.31	25.39	25.19	20.59	24.62	31.06	33.67

TABLE 4–42

Non-Electrical Machinery

Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	316	331	432	602	720	804	52	48	49	71	69	85
Revenue (Millions of $)	4,006	4,365	5,035	6,256	7,405	8,274	1,016	1,070	1,123	1,392	1,386	1,557
Ratios (Expressed as %):												
Earnings/Revenue	7.89	7.58	8.58	9.62	9.72	9.72	5.12	4.49	4.36	5.10	4.98	5.46
Earnings/Total Assets	7.21	7.03	7.99	8.96	8.88	9.02	6.25	5.17	4.90	6.06	5.91	6.69
Debt/Equity	58.06	60.81	68.84	72.63	88.32	77.78	45.63	49.68	51.36	50.32	59.05	54.57
Earnings/Equity	11.40	11.31	13.49	15.47	16.72	16.04	9.09	7.74	7.42	9.11	9.39	10.35
Earnings/Long-Term Debt + Equity	10.09	9.77	11.44	13.08	14.10	13.32	8.01	6.69	6.46	8.22	8.56	9.28
Fixed Assets/Revenue	42.96	43.71	39.68	37.07	39.88	42.40	24.80	28.13	25.56	22.99	23.95	24.34
Total Assets/Revenue	109.41	107.84	107.41	107.35	109.49	107.70	81.89	86.73	88.96	84.12	84.27	81.57
Short-Term Assets/Short-Term Liabilities	196.08	199.47	195.10	192.85	160.32	173.68	290.71	276.08	270.12	250.81	205.23	226.63
Fixed Assets/Equity	62.06	65.19	62.38	59.60	68.58	69.98	44.06	48.55	43.48	41.08	45.17	46.16
Short-Term Liabilities/Long-Term Debt + Equity	39.90	38.89	43.22	45.90	58.84	47.65	28.20	29.11	31.79	35.53	45.04	38.54
Long-Term Liabilities/Long-Term Debt + Equity	11.49	13.63	15.17	15.47	15.65	16.95	11.86	13.65	12.93	9.84	8.81	10.37

TABLE 4–43

Transportation Equipment
Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	294	186	324	421	296	215	79	103	144	153	55	204
Revenue (Millions of $)	6,645	6,985	7,708	8,800	9,861	10,965	3,391	3,908	4,761	5,760	5,233	6,972
Ratios (Expressed as %):												
Earnings/Revenue	4.42	2.66	4.20	4.78	3.00	1.96	2.33	2.64	3.02	2.66	1.05	2.93
Earnings/Total Assets	5.42	3.16	5.11	5.70	3.67	2.45	4.39	5.06	6.50	6.02	2.29	7.97
Debt/Equity	98.65	95.35	98.50	107.04	114.69	116.84	64.59	75.37	88.19	78.01	54.11	72.16
Earnings/Equity	10.76	6.17	10.13	11.81	7.88	5.30	7.23	8.87	12.23	10.71	3.53	13.72
Earnings/Long-Term Debt + Equity	8.77	4.84	8.14	9.52	6.24	4.06	6.76	7.95	10.92	9.80	3.17	11.55
Fixed Assets/Revenue	37.40	40.90	37.03	33.61	32.30	31.11	17.22	16.40	13.59	13.19	16.43	11.03
Total Assets/Revenue	81.69	84.27	82.33	83.90	81.81	80.19	53.08	52.10	46.52	44.13	45.82	36.70
Short-Term Assets/Short-Term Liabilities	135.84	136.69	137.08	140.49	131.91	138.95	187.32	180.95	168.42	177.35	222.26	216.37
Fixed Assets/Equity	90.96	94.82	89.27	82.95	84.75	84.12	53.43	55.21	54.97	53.22	55.27	51.71
Short-Term Liabilities/Long-Term Debt + Equity	61.95	53.20	59.41	66.89	70.12	66.19	54.02	57.10	67.93	62.74	38.37	44.96
Long-Term Liabilities/Long-Term Debt + Equity	18.47	21.58	19.69	19.39	20.75	23.36	6.42	10.42	10.77	8.58	10.21	15.80

TABLE 4–44

Other Manufacturing
Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	870	878	1,024	1,262	1,224	1,330	195	177	220	260	236	278
Revenue (Millions of $)	9,326	9,818	12,275	15,310	17,185	19,169	3,956	4,341	4,696	4,963	5,590	6,283
Ratios (Expressed as %):												
Earnings/Revenue	9.33	8.94	8.34	8.24	7.12	6.94	4.93	4.08	4.68	5.24	4.22	4.42
Earnings/Total Assets	9.36	8.62	8.53	9.00	7.37	7.11	5.43	4.66	5.34	5.82	4.83	5.20
Debt/Equity	59.81	59.77	64.43	75.60	80.66	85.68	47.03	46.28	46.86	46.02	47.66	45.63
Earnings/Equity	14.95	13.77	14.02	15.80	13.31	13.20	7.99	6.82	7.84	8.49	7.13	7.57
Earnings/Long-Term Debt + Equity	12.47	11.44	11.49	12.64	10.58	10.28	6.57	5.58	6.36	6.97	5.88	6.43
Fixed Assets/Revenue	42.55	44.49	40.34	36.90	37.62	37.99	41.15	41.40	41.06	42.05	39.95	39.22
Total Assets/Revenue	99.70	103.74	97.85	91.60	96.69	97.63	90.72	87.45	87.76	90.09	87.46	85.09
Short-Term Assets/Short-Term Liabilities	195.70	201.28	198.48	178.86	168.37	165.58	261.23	278.46	287.16	269.58	262.79	243.07
Fixed Assets/Equity	68.20	68.53	67.80	70.74	70.29	72.25	66.69	69.25	68.71	68.16	67.44	67.12
Short-Term Liabilities/Long-Term Debt + Equity	33.34	32.64	34.79	40.45	43.61	44.70	20.84	19.60	19.14	19.93	21.83	23.69
Long-Term Liabilities/Long-Term Debt + Equity	16.58	16.98	18.02	20.02	20.51	22.07	17.81	18.24	18.88	17.86	17.49	15.06

TABLE 4–45

Other

Selected Financial Data For Foreign Affiliates, 1966–1971

	All Schedules (Excluding Canada)						Canada					
	1966	1967	1968	1969	1970	1971	1966	1967	1968	1969	1970	1971
Earnings (Millions of $)	257	299	463	505	506	343	101	78	117	128	140	181
Revenue (Millions of $)	4,446	4,793	6,037	6,374	7,530	8,868	1,666	1,932	2,735	2,325	2,932	3,387
Ratios (Expressed as %):												
Earnings/Revenue	5.78	6.24	7.67	7.92	6.72	3.87	6.06	4.04	4.28	5.51	4.77	5.34
Earnings/Total Assets	7.32	7.71	9.70	9.15	8.04	4.90	9.99	5.86	7.65	7.23	6.95	8.19
Debt/Equity	56.35	58.20	62.33	69.36	69.64	76.21	43.81	42.09	41.67	44.69	41.53	40.85
Earnings/Equity	11.45	12.20	15.75	15.49	13.63	8.64	14.37	8.33	10.83	10.46	9.84	11.54
Earnings/Long-Term Debt + Equity	9.94	10.49	13.53	13.18	11.36	6.83	12.78	7.18	9.36	8.88	8.47	9.88
Fixed Assets/Revenue	33.60	35.82	33.97	38.86	36.28	35.51	25.63	30.54	25.59	35.53	32.98	31.33
Total Assets/Revenue	78.95	80.87	79.05	86.62	83.63	78.94	60.68	68.84	55.94	76.17	68.69	65.25
Short-Term Assets/Short-Term Liabilities	184.23	187.33	177.46	152.90	163.52	154.42	224.89	272.84	267.03	233.53	249.31	260.21
Fixed Assets/Equity	66.55	70.08	69.79	75.98	73.60	79.28	60.74	63.03	64.81	67.48	67.96	67.62
Short-Term Liabilities/Long-Term Debt + Equity	35.82	36.00	39.42	44.11	41.34	39.41	27.97	22.36	22.32	22.97	21.85	20.58
Long-Term Liabilities/Long-Term Debt + Equity	13.15	14.04	14.11	14.90	16.70	20.89	11.01	13.89	13.60	15.06	13.86	14.36

Appendix B

SUMMARY OF THE FOREIGN DIRECT INVESTMENT REGULATIONS

The Foreign Direct Investment Regulations, issued to implement Executive Order 11387 of January 1, 1968, are administered by the Office of Foreign Direct Investments (OFDI) of the U.S. Department of Commerce. The Regulations assist the United States balance of payments position by imposing certain restraints on the financing of investment in "affiliated foreign nationals" by U.S. "direct investors."

The following explanation is presented in broad terms to provide a general understanding of the Regulations in effect as of July 1, 1972, and should not be relied upon as a comprehensive or exact explanation. Reference should be made to the Regulations, the General Bulletin, the instructions for reporting forms, and other material issued by the OFDI.

An affiliated foreign national (AFN) is defined as a foreign corporation, partnership, or unincorporated business venture in which a 10 percent or greater interest is owned by a person (an individual, corporation, partnership, business venture, trust or estate) within the United States, i.e., a direct investor (DI). The requisite interest is measured by voting power if the AFN is a corporation, and by a right to share in profits if the AFN is unincorporated.

"Direct investment" during a given period is calculated by adding (i) the "net transfer of capital" by the DI to its incorporated and unincorporated AFNs and (ii) the DI's share of earnings of its incorporated AFNs which have been reinvested.

Generally, a transfer of capital by a DI to an AFN is a transfer of funds or other property that increases the DI's aggregate equity or debt investment in the AFN. Conversely, a transfer of capital by an AFN to a DI is generally a transfer of funds or other property that reduces the DI's aggregate equity or debt in the AFN.

The net transfer of capital to incorporated AFNs for a given period is the aggregate of transfers of capital by the DI less the aggregate of transfers of capital by the incorporated AFNs to the DI during the same period. Net transfer of capital to unincorporated AFNs for a given period is the DI's share of the aggregate increase or decrease in the aggregate net assets of such AFNs (whether such net increase or decrease results from transfers of capital, earnings or losses).

In addition to regulating positive direct investment, the Regulations restrict the amount of "liquid foreign balances" (e.g., money on deposit in foreign banks and negotiable or nonnegotiable instruments of unaffiliated foreign nationals with a period of less than a year remaining to maturity when acquired) that may be held by a DI.

For certain purposes of the Regulations, foreign countries are divided into three scheduled areas: Schedule A consists of the less-developed countries; Schedule B embraces a limited number of industrialized or partially industrialized countries, such as the United Kingdom, Australia, New Zealand, Ireland, Spain, Japan, and certain oil producing nations; and Schedule C covers the rest of the world, including primarily the industrialized countries of Western Europe and South Africa.

The Regulations do not restrict direct investment or liquid foreign balances in Canada, although DIs investing in Canada are required to file with OFDI the same reports that DIs with AFNs in other countries must submit. The Regulations do not apply to banks or other financial institutions subject to the Foreign Credit Restraint Program administered by the Federal Reserve System.

The basic thrust of the Program is to cause direct investors to finance from foreign sources the amount of positive direct investment that during the calendar year will exceed the "allowables" provided under Subpart E of the Regulations, as outlined in the following paragraphs.

Under Subpart E a DI may choose either of two "minimum" allowables: Section 503 permits a worldwide positive direct investment of not more than $2,000,000 each year; Section 507 provides an "alternative minimum and Schedule A supplemental allowable" of $2,000,000 per year worldwide plus an additional $4,000,000 a year that may be invested only in Schedule A. If a DI elects to use one of these allowables, it cannot shift to the other in the following year without OFDI authorization.

Alternatively, a DI may elect either of two other allowables, the "historical" allowable or

the "earnings" allowable. The Section 504(a) historical allowable authorizes an annual amount of positive direct investment in each scheduled area based upon the following percentages of the DI's average annual direct investment in the respective area in the years 1965 and 1966: Schedule A, 110 percent; Schedule B, 65 percent; and Schedule C, 35 percent. The Section 504(b) earnings allowable permits a DI an annual amount of positive direct investment in each scheduled area based upon 40 percent of its share of the previous year's earnings of its AFNs in the respective scheduled area.

In addition to the foregoing general allowables, a DI may also qualify for an "incremental earnings" allowable. This allowable is available on a worldwide basis and is equal to the amount by which 40 percent of the DI's share of the increase in the earnings of its AFNs in the current year over its share of the average annual earnings of its AFNs in 1966 and 1967 exceeds the amount of positive direct investment the DI has available to it under the minimum, historical or earnings allowable. This provision is designed to aid DIs having AFNs with rapidly increasing earnings.

The Regulations provide that all or part of any positive direct investment authorized in Schedule C countries may be made instead in Schedule A or B, and any investment authorized in Schedule B countries may be used instead in Schedule A.

To the extent that direct investors wish to exceed their allowables, they may do so through using the proceeds of "long-term foreign borrowing." Such proceeds may be deducted in calculating positive direct investment if "allocated" by the DI to such investment, and a charge against a DI's allowables is made only upon repayment of the borrowing.

Short-term foreign borrowing by the DI that is successively refinanced abroad may qualify as long-term foreign borrowing if the amount of short-term borrowing refinanced is, in fact, continuously outstanding for an uninterrupted period of at least 12 months. In addition, a DI may substitute a borrowing from its overseas finance subsidiary for foreign borrowing, or vice versa, and treat the later borrowing as a continuance of the borrowing for which it was substituted.

Subpart N of the Regulations provides special treatment for a DI's borrowing from its overseas finance subsidiaries. The proceeds of such borrowings may, under certain circumstances, be treated as proceeds of long-term foreign borrowing.

Although compliance with the program is measured on the basis of the calendar year, a DI may deduct from positive direct investment made during 1972 an amount equal to any available proceeds of long-term foreign borrowing or of borrowing from the DI's overseas finance subsidiary made on or before February 28, 1973, that are "allocated" to such positive direct investment on or before that date. In addition, the repayment by an AFN to the DI during January or February, 1973, of debt or other credits outstanding on December 31, 1972, may also be treated under certain circumstances as having taken place during 1972.

Because of the circumstances unique to the airlines industry, special rules for computing allowables for that industry are provided in Subpart M of the Regulations.

As a result of a recent revision in the Regulations, the amount of "liquid foreign balances" that a DI is authorized to hold at the end of each month may not exceed the amount of available proceeds of long-term foreign borrowing of the DI, plus the greater of $100,000 or the average month-end amount of liquid foreign balances held by the DI in 1965 and 1966.

Direct investors may seek relief from restraints imposed by the Regulations by applying to the OFDI for specific authorizations. Through this means, for example, DIs may obtain specific authorization covering increases in export credits to AFNs, foreign equity financing transactions, blocked earnings relief, etc. Detailed instructions for submitting applications for such relief are available to direct investors on request. Direct investors may also submit applications for interpretation of the Regulations as they may affect defined fact situations.

DIs are required to complete certain reports with the OFDI. If the DI's interest in all AFNs is $100,000 or more, based on cost, book, replacement or market value, whichever is largest, the DI is required to file a base period report on Form FDI–101 on or before the end of the month following the close of the first quarter in which its interest reaches this sum. Alternatively, Form FDI–101 is required to be filed if the DI's share in the earnings of AFNs is $50,000 or more during any year.

Unless a DI is exempt from having to file a base period report, it is also required to file an annual report on Form FDI–102F within four months after the end of each calendar year unless it meets several conditions, including not making more than $500,000 of direct investment during the year and not holding more than $95,000 of liquid foreign balances at the end of any month.

If a DI did not make aggregate worldwide direct investment of more than $2,000,000 during 1971, it is exempt from filing cumulative quarterly reports, unless the DI has received a specific authorization conditioned upon the provision of information in quarterly reports.

Otherwise, cumulative quarterly reports on Form FDI–102 must be filed commencing with the quarter during which a DI's cumulative direct investment exceeds $2,000,000.

It should be noted that different tests apply to determine whether an investor is a DI and whether a DI must file a base period report, an annual report, or a quarterly report.

In order to assure compliance with the Regulations, the Office maintains an active enforcement program of investigation and audit. Where it is found that violations have occurred, the Compliance Division of the Office initiates appropriate action leading to the imposition of a penalty through the Office's published settlement procedures.

BIBLIOGRAPHY OF RELATED LITERATURE

Introduction

This bibliography is divided into three not always mutually exclusive sections. General foreign investment studies predominate. The second section, emphasizing literature on capital controls, is the shortest. The final section identifies studies dealing with domestic data which might be applicable to the analysis of foreign investment. In all cases the bibliography is selective. The literature, especially that relevant for the first and third sections is too extensive to be set forth in its entirety.

The primary purpose of this bibliography is to provide a ready set of references for anyone undertaking research on foreign investment. Given this purpose, there is no attempt to annotate the bibliography. Several references do, however, place parts of the literature in perspective. For example, Jorgenson (1971) reviews the domestic empirical studies published up to that time. Spitäller undertook the same task for studies of long-term foreign capital movements. Stevens in the second of his 1972 works analyzes the extent to which international investment research may have altered the "general" theory of investment.

Another consideration is that no attempt is made to divide the general foreign investment literature into sub-categories. Generally, the reader can identify items of interest by the title. Within sub-categories there are entries which place the related works in perspective. For example, hypotheses concerned with the effect of the creation of a customs union on the pattern of direct investment flows are reviewed in Scaperlanda and Mauer (1969).

Given the nature of OFDI's work out of which this bibliography develops, it is not surprising that applied studies predominate. Recognizing that such studies must have a sound theoretical foundation, an attempt has been made to include a representative selection of theoretical works such as those of Kemp and Mundell. Kemp's work illustrates a method used to pare the bibliography's size. When an author has written a book or monograph which encompasses much of the other work he has published, as a general rule, only the one publication is mentioned. From this, one can obtain references to the author's related works.

Also, given the Office's mission, studies of direct investment are overwhelmingly emphasized among international capital flows.

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